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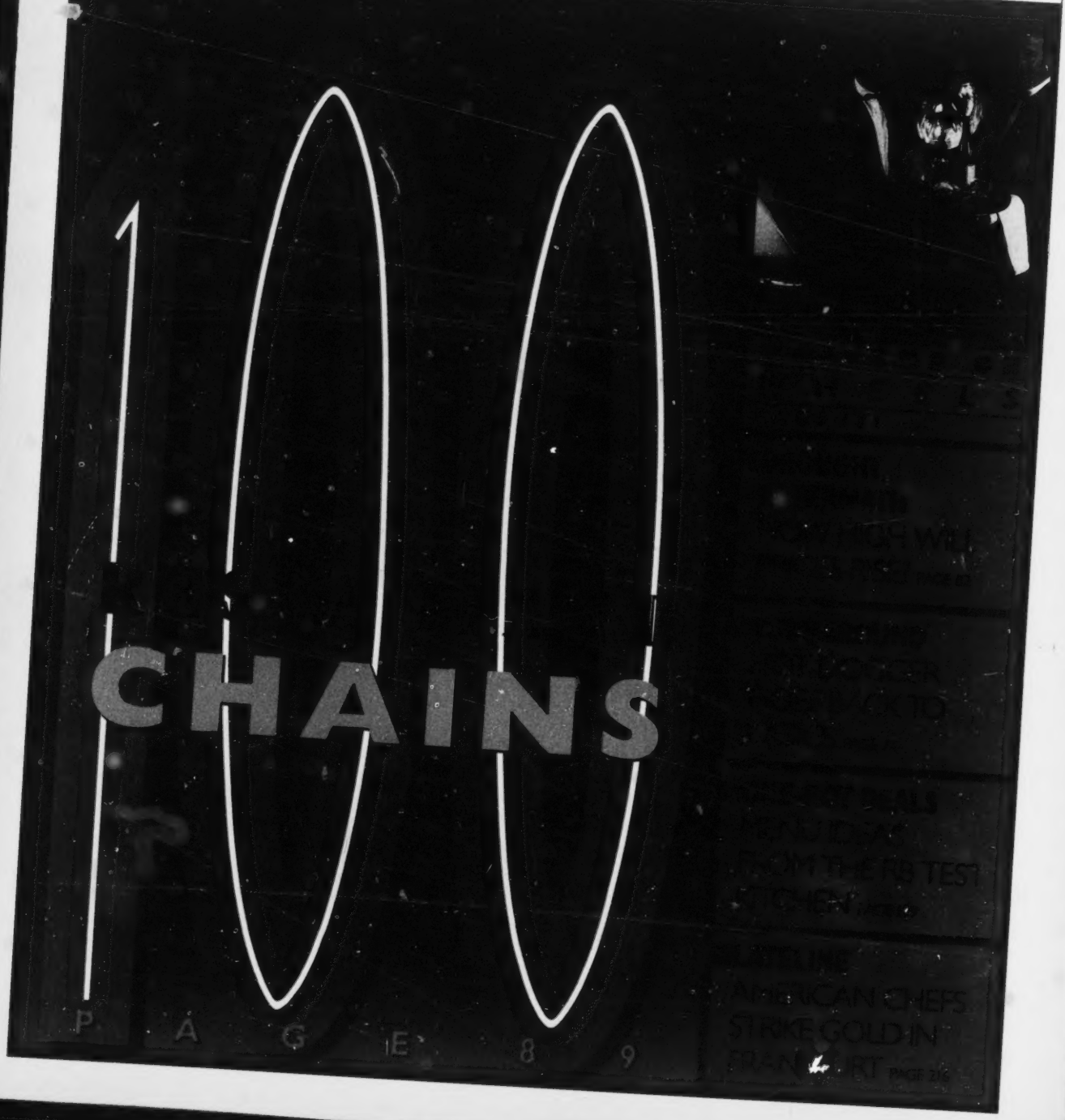
MARKET SEGMENT REPORT **TAKE-OUT** PAGE 151

# Restaurant Business

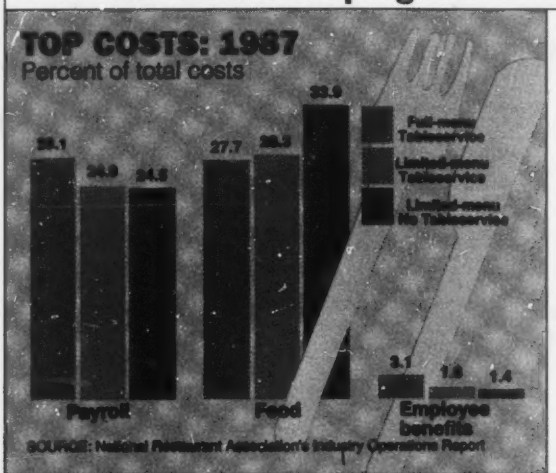
A BILL PUBLICATION



# BUSINESS BAROMETER

## The Hard Facts Shaping Our Industry

By Howard Riell

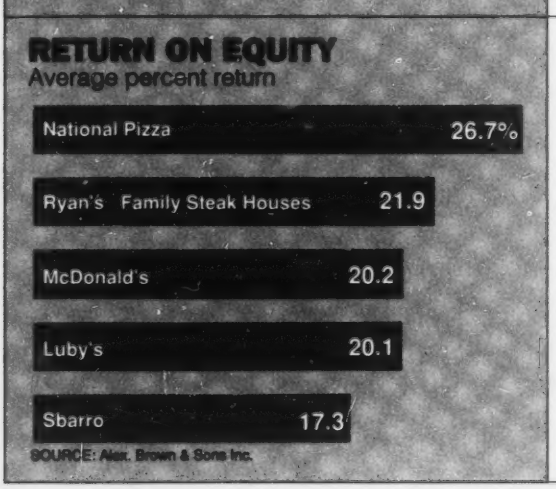



### Where Foodservice Dollars Went

Numbers can be misleading. Payroll and benefits are two costs a lot of restaurateurs are looking at more and more these days. Proposals to raise the minimum wage threaten to raise all salaries in a "trickle up" through employee ranks and bloat that already high 28% figure, yet in many areas of the country it means little; operators already pay far more than the minimum. The mandated health benefits bill would do even more damage, despite the seemingly low percentage cost. The innocuous 1.4% to 3.1% figures belie its grave importance, say restaurant operators nationwide.

### Fast Food Around The Globe

Part of the NRA's recent Delphi Panel projections for the year 2000 was that the industry would continue to become more international in scope. With major chains like McDonald's and Kentucky Fried Chicken opening frontiers in such far-flung locales as the Soviet Union and China, respectively, the trend becomes clear. But as American companies spread out, costs, the availability of food, equipment, and labor, and other factors will combine to make pricing very interesting—even for such all-American staples as a cheeseburger, fries, and a soda.




### Even Equity Leaders Show Signs of Wear

When evaluating the state of the foodservice industry, it is interesting to note that even Alex. Brown & Sons' return-on-equity leaders, National Pizza Co. and Ryan's Family Steak Houses Inc., have taken some recent lumps on their way to the top. National Pizza, the largest Pizza Hut franchisee with more than 250 units nationwide, has seen its promotional discounts rise by 50%, its food and labor costs forced up, and overall profit margins dip. Ryan's has seen same-store sales drop, and chief executive Mark McCall resign. Still, second-quarter profits rose 17%. Sales 28%.

CHARTS DESIGNED BY SHARI FANG

RESTAURANT BUSINESS

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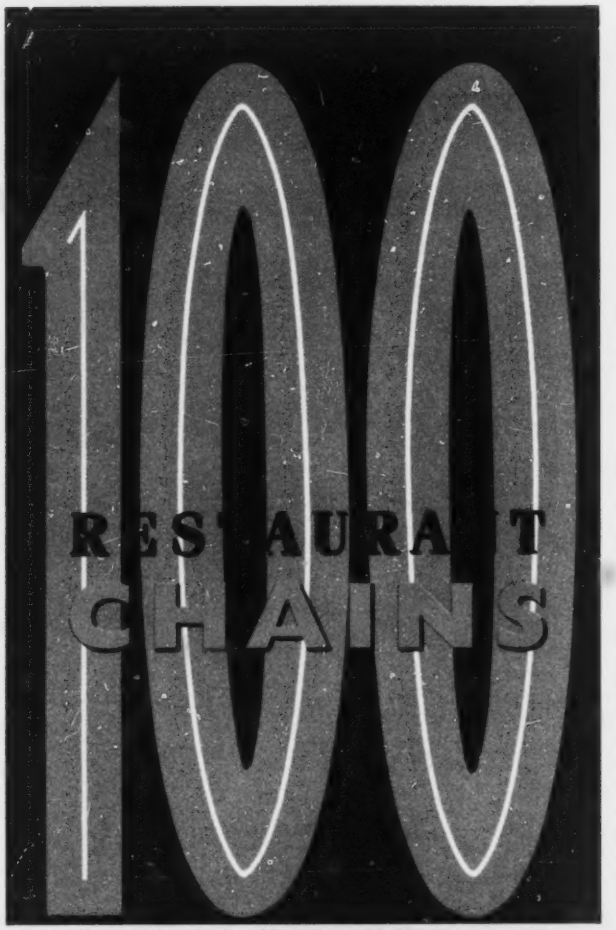


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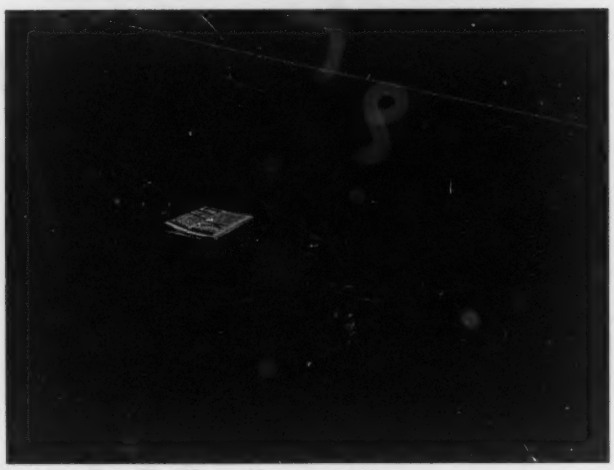

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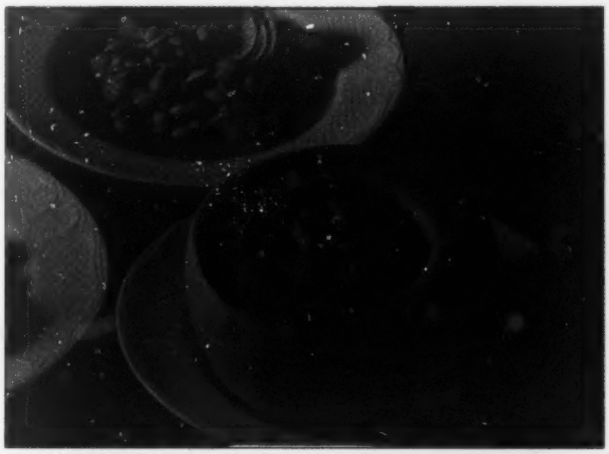
## SPECIAL OFFER

*Restaurant Business* now has available specially prepared reprints of the **1988 RESTAURANT GROWTH INDEX** and the **1988 MAJOR FORCES IN FRANCHISING.** These annual studies are invaluable reference tools.

The reprints are available for $5 per copy. Direct orders and inquiries to: Editor Peter Berlinski, *Restaurant Business* Magazine, 633 Third Avenue, New York, NY 10017.



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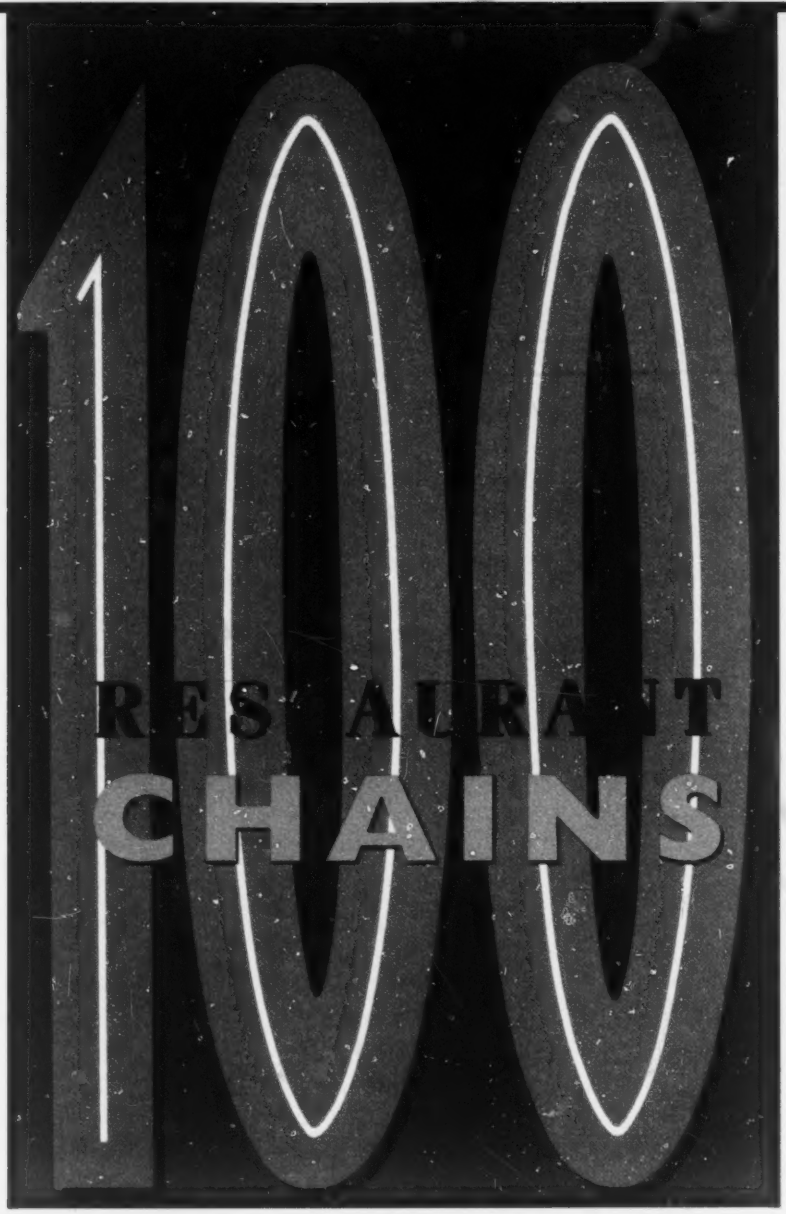



This year marks the first time that *Restaurant Business* presents its Top 100 Restaurant Chain report. One hundred chains, from McDonald's to Tastee Freez, are ranked by 1987 U.S. systemwide sales and units; average unit volumes, as well as 1986 sales and unit counts, are also included. In addition, beginning on page 92, each chain is profiled and updated through the current year.

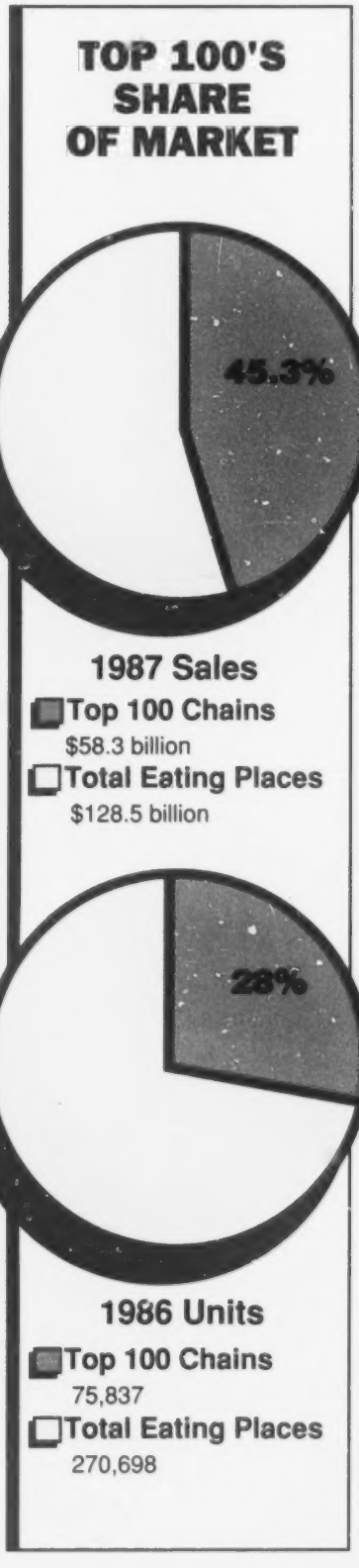
The data contained in The Top 100 study presents a revealing picture of the chain restaurant industry in the late 1980s; these chains now comprise 45.3% of total separate eating place sales, a figure that is growing constantly as the industry consolidates. In 1986, the latest year for which such figures were available, the Top 100 chains accounted for 28% of eating place units.

Not surprisingly, McDonald's rules the pack; with more than $10.5 billion in 1987 sales, it is more than twice the size of its nearest competitor, Burger King, with $4.8 billion in sales. Our 100th-ranked chain, Tastee Freez, is tiny by comparison, yet still generates nearly $104 million in sales.

In 1987, 11 foodservice chains topped $1 billion in annual sales (McDonald's, Burger King, KFC, Wendy's, Hardee's, Pizza Hut, Domino's, Dairy Queen, Taco Bell, Denny's, and Red Lobster); nine of them are fast-food operators. The sales of the Top 10 restaurant chains soared past $30 billion, nearly 25% of the total eating place universe of $128.5 billion.

In an era when growth has been hard to come by, several chains stand out: General Mills' Olive Garden, which enjoyed a year-over-year sales increase of better than 190% in 1987, with the addition of 40 new units on a base of just 30; and Subway, whose sales and unit counts increased 89.5% and 82.6%, respectively. Other fast movers in 1987 included Domino's, Little Caesars, Big Boy (thanks to consolidation under the Elias Brothers umbrella), Chili's, Ryan's, Tony Roma's, Mrs. Fields, Red Robin, TCBY, Kettle Restaurants, and Ruby Tuesday.

But the 1987 year had its share of disappointments, too. Sales dropped more than 12% at Steak & Ale in the wake of softening unit volumes and store closings, and at press time, the casual theme chain's future was unclear as parent Pillsbury attempted to thwart a hostile takeover bid by Grand Metropolitan PLC. Po Folks and Bojangles also experienced sales and unit count declines, while Furr's Cafeterias suffered a 12.3% decrease in sales on a 9.6% unit increase.



# TOP 100 RESTAURANT CHAINS

**RANKED BY SALES AND UNITS**

| Sales Rank | Chain | U.S. System Sales ($000) 1987 | U.S. System Sales ($000) 1986 | % Sales Change 1987 | Avg. Unit Volume ($000) 1987 | U.S. System Units 1987 | U.S. System Units 1986 | %Unit Change 1987 | Unit Rank |
|---|---|---|---|---|---|---|---|---|---|
| 1 | MCDONALD'S | $10,576,266 | $9,533,691 | 10.9% | $1,500 | 7,567 | 7,272 | 4.1% | 1 |
| 2 | BURGER KING | 4,777,004 | 4,458,109 | 7.2 | 1,015 | 4,884 | 4,572 | 6.8 | 3 |
| 3 | KENTUCKY FRIED CHICKEN | 2,700,000 | 2,500,000 | 8.0 | 558 | 4,814 | 4,720 | 2.0 | 4 |
| 4 | WENDY'S | 2,627,899 | 2,547,459 | 3.2 | 741 | 3,601 | 3,496 | 3.0 | 7 |
| 5 | HARDEE'S | 2,534,000 | 2,168,000 | 16.9 | 877 | 2,883 | 2,684 | 7.4 | 8 |
| 6 | PIZZA HUT | 2,500,000 | 2,200,000 | 13.6 | 490 | 5,394 | 5,017 | 7.5 | 2 |
| 7 | DOMINO'S PIZZA | 1,893,200 | 1,490,680 | 27.0 | 466 | 4,279 | 3,600 | 18.9 | 6 |
| 8 | DAIRY QUEEN | 1,630,000 | 1,520,000 | 7.2 | 375 | 4,422 | 4,353 | 1.6 | 5 |
| 9 | TACO BELL | 1,500,000 | 1,300,000 | 15.4 | 579 | 2,696 | 2,409 | 11.9 | 9 |
| 10 | DENNY'S | 1,192,079 | 1,134,246 | 5.1 | 1,059 | 1,132 | 1,115 | 1.5 | 17 |
| 11 | RED LOBSTER | 1,050,670 | 925,278 | 13.6 | 2,671 | 397 | 389 | 2.1 | 46 |
| 12 | ARBY'S | 988,000 | 892,000 | 10.8 | 568 | 1,764 | 1,612 | 9.4 | 13 |
| 13 | BIG BOY** | 950,000 | 899,000* | 5.7 | 1,000 | 950 | 899 | 5.7 | 19 |
| 14 | LONG JOHN SILVER'S | 743,441 | 717,338 | 3.6 | 529 | 1,435 | 1,397 | 2.7 | 14 |
| 15 | LITTLE CAESARS | 725,000 | 520,000 | 39.4 | 465** | 1,820 | 1,308 | 39.1 | 11 |
| 16 | SIZZLER | 705,400 | 575,500 | 22.6 | 1,430 | 542 | 534 | 1.5 | 35 |
| 17 | PONDEROSA | 699,731 | 650,596* | 7.6 | 1,025 | 690 | 653 | 5.7 | 26 |
| 18 | JACK IN THE BOX | 684,558 | 560,621 | 22.1 | 788 | 897 | 849 | 5.7 | 20 |
| 19 | SHONEY'S | 677,000 | 630,000 | 7.5 | 1,361 | 604 | 542 | 11.4 | 29 |
| 20 | DUNKIN' DONUTS | 646,350 | 598,023 | 8.1 | 465 | 1,390 | 1,316 | 5.6 | 16 |
| 21 | FRIENDLY RESTAURANTS | 572,400 | 536,500 | 6.7 | 685 | 842 | 829 | 1.6 | 22 |
| 22 | ROY ROGERS | 557,500* | 530,000* | 5.2 | 1,040 | 556 | 552 | 0.1 | 34 |
| 23 | CHURCH'S FRIED CHICKEN | 509,724 | 551,152 | (7.5) | 361 | 1,422 | 1,475 | (3.6) | 15 |
| 24 | BONANZA | 479,936 | 417,233 | 15.0 | 918 | 540 | 522 | 3.4 | 36 |
| 25 | WESTERN SIZZLIN' | 466,264 | 454,000 | 2.7 | 790 | 585 | 600 | (2.5) | 31 |
| 26 | BASKIN-ROBBINS | 460,000* | 438,495 | 4.9 | 183 | 2,511 | 2,542 | (1.2) | 10 |
| 27 | BENNIGAN'S | 455,000 | 442,500 | 2.8 | 2,200 | 211 | 204 | 3.4 | 64 |
| 28 | EL TORITO | 450,000* | 420,000* | 7.1 | 2,200 | 205 | 200 | 2.5 | 66 |
| 29 | POPEYES | 445,000* | 400,000* | 11.3 | 750 | 707 | 650 | 8.8 | 25 |
| 30 | CHI-CHI'S | 425,000 | 422,820 | 0.5 | 2,400 | 186 | 199 | (18.8) | 73 |
| 31 | GOLDEN CORRAL | 381,000* | 331,847 | 14.8 | 816** | 493 | 441 | 11.8 | 41 |
| 32 | CARL'S JR. | 380,000* | 343,594 | 10.6 | 905 | 446 | 436 | 2.3 | 43 |
| 33 | T.G.I FRIDAY'S | 364,122 | 347,975 | 4.6 | 2,900 | 128 | 124 | 3.2 | 82 |
| 34 | SUBWAY | 360,000 | 190,000 | 89.5 | 200 | 1,810 | 991 | 82.6 | 12 |
| 35 | RAX | 358,275 | 328,878 | 8.9 | 701 | 526 | 511 | 2.9 | 39 |
| 36 | PERKINS | 343,138 | 315,557 | 8.7 | 1,027 | 334 | 328 | 1.8 | 50 |
| 37 | CAPTAIN D'S | 329,000 | 302,000 | 8.9 | 631 | 574 | 537 | 6.9 | 33 |
| 38 | SONIC | 315,000 | 295,567 | 6.6 | 330 | 953 | 958 | 0.5 | 18 |
| 39 | INTERNATIONAL HOUSE OF PANCAKES | 300,000 | 264,069 | 13.6 | 652 | 460 | 447 | 2.9 | 42 |
| 40 | MORRISON'S FAMILY DINING | 300,000 | 289,100 | 3.8 | 1,900 | 158 | 153 | 3.3 | 78 |
| 41 | PIZZA INN | 285,000* | 303,000 | (5.9) | 457 | 672 | 707 | (5.0) | 27 |
| 42 | WHITE CASTLE | 282,630 | 268,540 | 5.2 | 1,264 | 229 | 220 | 4.1 | 61 |
| 43 | ROUND TABLE PIZZA | 265,000 | 250,000 | 6.0 | 500 | 530 | 500 | 6.0 | 38 |
| 44 | BOB EVANS | 257,760* | 230,923 | 11.6 | 1,350 | 194 | 172 | 12.8 | 70 |
| 45 | GODFATHER'S PIZZA | 252,516 | 262,800 | (3.9) | 429 | 590 | 656 | 10.1 | 30 |
| 46 | CARVEL ICE CREAM | 245,000* | 225,000* | 8.9 | 355 | 850 | 830 | 2.4 | 21 |
| 47 | STUART ANDERSON'S | 245,000* | 243,000 | 0.8 | 2,220 | 117 | 117 | 0 | 87 |
| 48 | LUBY'S CAFETERIAS | 239,002 | 220,334 | 8.5 | 2,370 | 108 | 96 | 12.5 | 90 |
| 49 | STEAK & ALE | 235,000 | 267,833 | (12.3) | 1,400 | 170 | 186 | (8.6) | 75 |
| 50 | WAFFLE HOUSE | 235,000* | 210,000* | 11.9 | 380 | 635 | 600 | 5.8 | 28 |

*TECHNOMIC estimate
**Restaurant Business estimate

## RANK BY SALES

### 1 MCDONALD'S
Oak Brook, IL

**RANK BY UNITS: 1**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $10,576,266 |
| 1987 U.S. Systemwide Units | 7,567 |
| 1987 Average Unit Volume ($000) | $1,500 |

McDonald's marketing muscle continues to provide sales increases in an otherwise sluggish fast-food market. The company is testing a McChicken sandwich as well as a McPizza (and Pizza Hut has already responded with sarcastic advertising). Aggressive international expansion will continue, with an agreement to open 20 McDonald's in the USSR a special coup.

### 2 BURGER KING
(The Pillsbury Co.)
Miami, FL

**RANK BY UNITS: 3**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $4,777,004 |
| 1987 U.S. Systemwide Units | 4,884 |
| 1987 Average Unit Volume ($000) | $1,015 |

At press time, BK's parent Pillsbury was embroiled in a hostile takeover battle with a British company, Grand Metropolitan PLC. BK remains troubled by slipping sales; consensus is that the No. 2 burger chain has been hurt by unfocused marketing and management upheavals. The question, barring a sale to Grand Met: Will new Pillsbury president Phil Smith jettison BK?

### 3 KENTUCKY FRIED CHICKEN
(PepsiCo Inc.)
Louisville, KY

**RANK BY UNITS: 4**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $2,700,000 |
| 1987 U.S. Systemwide Units | 4,814 |
| 1987 Average Unit Volume ($000) | $558 |

KFC opens a new unit—somewhere in the world—every day. Chicken Littles "mini sandwiches" have been introduced nationally, salads are in test, and grilled chicken items are also being considered. International expansion is an important strategy; China is now KFC country. Meanwhile, the No. 1 chicken chain is continuing to test home delivery in certain markets.

### 4 WENDY'S
Dublin, OH

**RANK BY UNITS: 7**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $2,627,899 |
| 1987 U.S. Systemwide Units | 3,601 |
| 1987 Average Unit Volume ($000) | $741 |

Wendy's execs are pulling the third-largest burger chain out of troubled waters. Margins and same-store sales have been helped by the introduction last year of the SuperBar, a 50-item food bar that includes a salad bar, Mexican specialties, pastas, fruits, and desserts, although Wendy's insists that burgers are still its major focus. Emphasis has also been placed on controlling G&A.

### 5 HARDEE'S
(Imasco Ltd.)
Rocky Mount, NC

**RANK BY UNITS: 8**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $2,534,000 |
| 1987 U.S. Systemwide Units | 2,863 |
| 1987 Average Unit Volume ($000) | $877 |

Hardee's is posting double-digit sales increases over last year, attributed to solid management as well as new products including chicken sticks, prepackaged salads, and soft-serve ice cream. New state-of-the-art, labor-saving kitchen equipment has been installed to turn out burgers faster. About 25% of units have been remodeled as part of an ongoing program.

### 6 PIZZA HUT
(PepsiCo Inc.)
Wichita, KS

**RANK BY UNITS: 2**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $2,500,000 |
| 1987 U.S. Systemwide Units | 590 |
| 1987 Average Unit Volume ($000) | $5,394 |

One-call delivery is having a big impact on sales in many markets, as delivery becomes profitable for the pizza market-share leader. A new product, hand-tossed, thin, foldable New York-style pizza, rounds out the product line. Pizza Hut is looking for nontraditional "situations," including kiosks and joint-concept arrangements, as existing opportunities for new stores dry up.

# TOP 100 RESTAURANT CHAINS

**RANKED BY SALES AND UNITS**

| Sales Rank | Chain | U.S. System Sales ($000) 1987 | U.S. System Sales ($000) 1986 | % Sales Change 1987 | Avg. Unit Volume ($000) 1987 | U.S. System Units 1987 | U.S. System Units 1986 | %Unit Change 1987 | Unit Rank |
|---|---|---|---|---|---|---|---|---|---|
| 51 | GROUND ROUND | $238,600 | $213,300* | 7.2 | $1,191 | 192 | 195 | (1.5) | 72 |
| 52 | CHILI'S | 226,110 | 154,707* | 46.2 | 1,950 | 126 | 102 | 23.5 | 83 |
| 53 | QUINCY'S FAMILY STEAKHOUSES | 221,500 | 207,400 | 6.8 | 1,030 | 215 | 218 | (1.4) | 63 |
| 54 | MARIE CALLENDER PIE SHOPS | 220,000* | 196,000 | 12.2 | 1,900 | 135 | 127 | 6.3 | 81 |
| 55 | VILLAGE INN | 219,700 | 206,164 | 6.6 | 873 | 272 | 259 | 5.0 | 56 |
| 56 | PICCADILLY CAFETERIAS | 219,609 | 212,137 | 3.5 | 1,861 | 118 | 109 | 8.3 | 86 |
| 57 | FURR'S CAFETERIAS | 212,350* | 242,000* | (12.3) | 1,500* | 126 | 115* | 9.8 | 83 |
| 58 | WHATABURGER | 210,000* | 225,000* | (6.7) | 600 | 345 | 365 | (5.5) | 48 |
| 59 | CHICK-FIL-A | 202,724 | 182,837 | 10.9 | 574 | 353 | 346 | 4.9 | 47 |
| 60 | TONY ROMA'S | 200,000* | 128,500* | 55.6 | 2,350 | 96 | 75 | 28.0 | 92 |
| 61 | WESTERN STEER HOM 'N' POPS | 189,000* | 174,197 | 8.5 | 990 | 194 | 188 | 3.2 | 70 |
| 62 | WYATT CAFETERIAS | 189,000 | 195,000 | (3.1) | 1,600 | 119 | 120 | (0.8) | 85 |
| 63 | KRYSTAL | 185,000 | 174,000 | 6.3 | 765 | 243 | 237 | 2.5 | 60 |
| 64 | RYAN'S FAMILY STEAK HOUSES | 185,000 | 125,000 | 48.0 | 2,344 | 95 | 70 | 35.7 | 93 |
| 65 | PO FOLKS | 182,500 | 225,000 | (18.9) | 1,200 | 163 | 172 | (5.2) | 77 |
| 66 | GRANDY'S | 180,000 | 175,000 | 2.9 | 895 | 201 | 195 | 3.1 | 67 |
| 67 | COUNTRY KITCHEN | 169,200 | 161,400 | 4.8 | 641 | 252 | 251 | 0.4 | 59 |
| 68 | MR. DONUT | 169,000 | 151,000 | 11.9 | 286 | 535 | 543 | (1.5) | 37 |
| 69 | BOJANGLES | 158,280 | 186,700 | (15.2) | 713 | 222 | 276 | (19.6) | 62 |
| 70 | BAKERS SQUARE | 155,788 | 130,385 | 19.5 | 1,225 | 138 | 116 | 19.0 | 80 |
| 71 | WINCHELL'S DONUT HOUSES | 150,953 | 162,315 | (7.0) | 207 | 727 | 743 | (2.2) | 24 |
| 72 | BROWN DERBY | 150,800* | 147,000* | 2.6 | 2,900 | 52 | 50 | 4.0 | 99 |
| 73 | SHOWBIZ PIZZA | 147,000* | 158,000* | (7.0) | 900* | 185 | 183 | 1.1 | 74 |
| 74 | BRAUM ICE CREAM STORES | 145,000 | 135,000* | 7.4 | 750 | 195 | 190 | 2.6 | 69 |
| 75 | SHAKEY'S PIZZA | 142,000* | 144,905 | (2.0) | 558 | 254 | 289 | (5.6) | 57 |
| 76 | MR. GATTI'S | 140,000 | 139,200* | 0.6 | 455 | 337 | 319 | 5.6 | 49 |
| 77 | DEL TACO | 137,000* | 125,000* | (7.0) | 550* | 287* | 263 | 9.1 | 52 |
| 78 | LEE'S FAMOUS RECIPE | 137,000 | 133,970 | 2.3 | 521 | 275 | 268 | 2.6 | 55 |
| 79 | HOULIHAN'S | 135,000* | 135,000 | 0 | 2,500 | 55 | 55 | 0 | 96 |
| 80 | MAZZIO'S PIZZA | 135,000 | 130,000 | 3.8 | 600 | 279 | 271 | 3.0 | 53 |
| 81 | PAPA GINO'S | 134,000 | 104,100 | 28.7 | 625 | 200 | 177 | 13.0 | 68 |
| 82 | YORK STEAK HOUSE | 132,683 | 133,395* | (0.5) | 1,186 | 111 | 114 | (2.6) | 89 |
| 83 | OLIVE GARDEN | 130,677 | 44,521* | 191.6 | 2,583 | 70 | 30 | 133.3 | 94 |
| 84 | FUDDRUCKERS | 129,629 | 118,438 | 9.4 | 1,172 | 116 | 105 | 10.5 | 88 |
| 85 | COCO'S | 128,000* | 125,000* | 2.4 | 925 | 139 | 139* | 0 | 79 |
| 86 | A&W RESTAURANTS | 122,600 | 125,700 | (2.5) | 230 | 502 | 476 | 5.5 | 40 |
| 87 | TCBY | 121,200 | 71,100 | 70.5 | 210 | 822 | 458 | 79.5 | 23 |
| 88 | KETTLE RESTAURANTS | 120,149 | 114,792 | 4.7 | 575 | 208 | 197 | 5.6 | 65 |
| 89 | SBARRO | 116,000* | 84,158* | 37.8 | 500 | 253 | 190 | 33.2 | 58 |
| 90 | EL CHICO | 112,000 | 112,000* | 0 | 902 | 97 | 106 | (8.5) | 91 |
| 91 | RED ROBIN | 112,000* | 66,000 | 69.7 | 2,500 | 45 | 44 | 2.3 | 100 |
| 92 | CRACKER BARREL | 110,621 | 88,189 | 25.4 | 2,087 | 55 | 49 | 12.2 | 96 |
| 93 | MRS. FIELDS COOKIES | 110,000* | 65,000* | 69.2 | 338 | 400 | 310 | 29.0 | 45 |
| 94 | NAUGLES | 109,000 | 112,000 | (2.7) | 650 | 165 | 176 | (6.3) | 76 |
| 95 | ORANGE JULIUS | 109,000* | 107,000 | 1.9 | 190 | 579 | 600 | (3.5) | 32 |
| 96 | WIENERSCHNITZEL | 109,000 | 99,000 | 10.1 | 400 | 273 | 272 | 0.4 | 54 |
| 97 | CHART HOUSE | 108,000* | 100,000* | 8.0 | 2,150 | 50 | 54 | 0 | 98 |
| 98 | SLIMPIE | 106,400 | 94,000 | 13.2 | 400 | 300 | 265 | 13.2 | 51 |
| 99 | RUBY TUESDAY | 104,000 | 75,000* | 38.7 | 1,600 | 63 | 48 | 31.3 | 95 |
| 100 | TASTEE FREEZ | 103,800* | 103,000* | 0.8 | 240* | 432* | 450* | (4.0) | 44 |

*TECHNOMIC estimate



continued on page 100

## RANK BY SALES

### DOMINO'S PIZZA
Ann Arbor, MI

**RANK BY UNITS: 6**

| | |
|---|---|
| 1987 U.S. Systemwide Sales (000) | $1,893,000 |
| 1987 U.S. Systemwide Units | 4,279 |
| 1987 Average Unit Volume ($000) | $466 |

Domino's is accelerating its 5,000-unit push early in 1989, and recently moved into Spain and Costa Rica. In test are a pan pizza and regional toppings: Cajun shrimp, German sausage, and Philly steak. Domino's is also looking at free-standing units with seating and a prefabricated model. Safe-driving programs are being emphasized for drivers; the 30-minute guarantee is still in force.

### 10 DENNY'S
(TW Services Inc.)
La Mirada, CA

**RANK BY UNITS: 17**

| | |
|---|---|
| 1987 U.S. Systemwide Sales (000) | $1,192,879 |
| 1987 U.S. Systemwide Units | 1,132 |
| 1987 Average Unit Volume ($000) | $1,059 |

The menu has been trimmed, with some of the newer items removed and a return to coffee shop roots produced under new owner TW Services. Morale at headquarters is still low following numerous post-acquisition layoffs, but second-quarter earnings were up 26% from year-earlier levels, indicating a turnaround is underway. A new president, Samuel Mesa, is now in charge.

### 8 DAIRY QUEEN
Minneapolis, MN

**RANK BY UNITS: 5**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $1,439,950 |
| 1987 U.S. Systemwide Units | 4,422 |
| 1987 Average Unit Volume ($000) | $375 |

The segment leader hopes to expand its shopping-mall Treat operations, which combine DQ frozen desserts with the snacks and beverages of Orange Julius of America, recently acquired by parent International Dairy Queen. There are approximately 20 Treat Centers currently open; 35 are projected by the end of 1988. The company has also been testing frozen yogurt.

### RED LOBSTER
(General Mills Restaurant Group)
Orlando, FL

**RANK BY UNITS: 46**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $1,050,670 |
| 1987 U.S. Systemwide Units | 397 |
| 1987 Average Unit Volume ($000) | $2,671 |

Red Lobster is proving that quality seafood can be executed on a chain basis. All units are company-owned; expansion is continuing at a rapid pace. Red Lobster entered the Northwestern market this year, with the acquisition of the 28-unit Seafood Broiler chain, and is also increasing penetration on the Eastern seaboard. Twenty units are expected to open in the next year.

### TACO BELL
(PepsiCo Inc.)
Irvine, CA

**RANK BY UNITS: 9**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $1,[illegible],000 |
| 1987 U.S. Systemwide Units | 2,694 |
| 1987 Average Unit Volume ($000) | $[illegible] |

The No. 1 Mexican fast-food operation follows its "Border Bell" tortilla sandwich rollout this year, as well as the "Good Stuff Value '88," which features new-product layers and attempts to put some of the best people in the field in the last 5 years, the company's unit count has doubled and systemwide sales have tripled. Goal: $4 billion in sales, 4,000 units by the end of 1991.

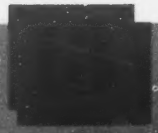
### 12 ARBY'S
Atlanta, GA

**RANK BY UNITS: 13**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $938,000 |
| 1987 U.S. Systemwide Units | 1,764 |
| 1987 Average Unit Volume ($000) | $548 |

Arby's is the first fast feeder to offer a prepackaged franchise with another food concept, Sara Lee's Pizza Pot Cooker Company Ltd. The company has also added toll-free customer hotlines in 10 states, and is testing use of Visa and MasterCard in Cleveland. Menu additions include curly-Q french fries, and corned beef & swiss and reuben sandwiches.

## RANK BY SALES



### BIG BOY
(Elias Brothers Restaurants Inc.)
Warren, MI

**RANK BY UNITS: 19**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $950,000* |
| 1987 U.S. Systemwide Units | 950* |
| 1987 Average Unit Volume ($000) | $1,000* |

In the space of 1 year, Elias has gone from a regional franchisee of Big Boy to the owner of the system with its purchase of the name from Marriott in late 1987. It also bought Elby's, a Pittsburgh regional chain, and built some new units in Michigan. It intends to grow Big Boy nationally, moving out to contiguous states from existing markets.

### 16 SIZZLER
(Collins Foods International Inc.)
Los Angeles, CA

**RANK BY UNITS: 35**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $705,400 |
| 1987 U.S. Systemwide Units | 542 |
| 1987 Average Unit Volume ($000) | $1,430 |

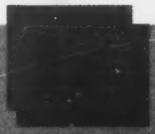
Sizzler, the family restaurant concept featuring steak, seafood, and an enormous all-you-can-eat buffet, just reported its 29th consecutive quarter of record sales and earnings. Sizzler expects to reach sales of $1 billion on an annualized basis this year. Substantial expansion is taking place in Australia, and new units are opening in all existing U.S. markets.

### 14 LONG JOHN SILVER'S
(Jerrico Inc.) Lexington, KY

**RANK BY UNITS: 14**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $743,441 |
| 1987 U.S. Systemwide Units | 1,435 |
| 1987 Average Unit Volume ($000) | $529 |

LJS has expanded its menu to include more shellfish, and continues to test broiled fish and shrimp. The company is chided by Wall Street for moving too slowly, but LJS is obviously positioned to take advantage of the public's increasing consumption of seafood. Although earnings for fiscal 1988 were flat, the company is viewed by some as an attractive takeover target.

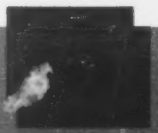


### PONDEROSA
(Metromedia Inc.)
Dayton, OH

**RANK BY UNITS: 26**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $699,731 |
| 1987 U.S. Systemwide Units | 690 |
| 1987 Average Unit Volume ($000) | $1,025 |

Sales got a boost from the new 80-item Grand Buffet, an expanded version of the company's salad buffet, which includes new hot appetizers such as deep-fried vegetables, meatballs, and chicken wings. Ponderosa's recent sale to privately held Metromedia Inc., a holding and investment company, is helping: About 50 new company stores will open in the next few years.



### LITTLE CAESARS
Farmington Hills, MI

**RANK BY UNITS: 11**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $725,000 |
| 1987 U.S. Systemwide Units | 1,820 |
| 1987 Average Unit Volume ($000) | $465(E) |

Little Caesars claims to be growing at the fastest rate in the segment thanks to 2-for-1-price deals. The chain debuted on national TV in 1988 with ads developed by Cliff Freeman & Partners ("Where's The Beef?"), and expects to hit $1 billion in sales this year. New products include a square pizza, also sold on 2-for-1, but the company has no current plans for delivery.

### 18 JACK IN THE BOX
(Foodmaker Inc.)
San Diego, CA

**RANK BY UNITS: 20**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $684,558 |
| 1987 U.S. Systemwide Units | 897 |
| 1987 Average Unit Volume ($000) | $788 |

Management has just announced plans to go private—for the second time in 3 years. Sales gains continue, thanks to new fajita pita sandwiches and finger foods. Constant reevaluation of product mix and formulation has secured Jack's place as the upscale fast-food leader in its 14-state trading area. Salads have recently been improved; new finger foods are on the way.

*continued on page 102*

RANK BY SALES

## SHONEY'S
Nashville, TN

**RANK BY UNITS: 29**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $677,000 |
| 1987 U.S. Systemwide Units | 604 |
| 1987 Average Unit Volume ($000) | $1,361 |

In the aftermath of a $585 million leveraged recapitalization by parent Shoney's Inc., company store growth plans in 1988 were cut to 17 units from 65-70 units. An aggressive franchising effort, the first in years, will target individuals and groups outside the company, rather than existing franchisees as in the past. Currently, more than half of Shoney's units are franchised.

## 22 ROY ROGERS
(Marriott Corp.)
Washington, DC

**RANK BY UNITS: 34**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $557,500(E) |
| 1987 U.S. Systemwide Units | 556 |
| 1987 Average Unit Volume ($000) | $1,040 |

Roy Rogers is known for fried chicken as well as burgers and roast beef, dressed at a Fixin's Bar. Burger sales are getting a boost from the introduction of already dressed Express Burgers, which were tested in Baltimore and Washington and are now being rolled out in other markets. The company plans to open another 200 units in the next 5 years, mostly in the Northeast.

## 20 DUNKIN' DONUTS
Randolph, MA

**RANK BY UNITS: 16**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $646,350 |
| 1987 U.S. Systemwide Units | 1,390 |
| 1987 Average Unit Volume ($000) | $465 |

Dunkin' Donuts is expanding a line of soups and croissants to boost its p.m. business; fresh-baked bagels and rolls are also in test. DD sold its first of several exclusive development contracts to franchisees in 3 new markets, and is optimistic about joint-venture tests with Circle K and 7-Eleven and a gasoline station. New units feature express counters for takeout.

## 23 CHURCH'S FRIED CHICKEN
San Antonio, TX

**RANK BY UNITS: 15**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $509,724 |
| 1987 U.S. Systemwide Units | 1,422 |
| 1987 Average Unit Volume ($000) | $361 |

Under new head Ernie Renaud, Church's is attempting another turnaround, with over 10 weeks of sales increases as of October. "Chicken Big," a large chicken sandwich that failed to measure up, has been scrapped. Other menu changes are on the way, and some marginal markets will probably be abandoned. A building redesign program is also in the works.

## FRIENDLY RESTAURANTS
(Tennessee Restaurant Co.) Wilbraham, MA

**RANK BY UNITS: 22**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $572,400 |
| 1987 U.S. Systemwide Units | 842 |
| 1987 Average Unit Volume ($000) | $685 |

Earlier this year, high overhead, sagging sales, and a labor crunch forced Friendly Restaurants to cut staff and curtail expansion. The troubled ice cream and sandwich chain was sold this summer by Hershey Foods Corp. to the Chicago-based Tennessee Restaurant Co. for $375 million in cash; TRC, which also owns Perkins Family Restaurants, operates the chains separately.

## 24 BONANZA
(USACAFES L.P.)
Dallas, TX

**RANK BY UNITS: 36**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $479,936 |
| 1987 U.S. Systemwide Units | 540 |
| 1987 Average Unit Volume ($000) | $918 |

The fast-growing family restaurant chain celebrated its 25th anniversary in 1988 by unveiling Freshtastiks Food Fare, an expanded and remodeled food bar featuring "Lighter Fare," the segment's first freestanding merchandising module for low-sodium, low-cholesterol, and low-calorie foods. Plans call for 70-75 new stores this year, and a similar number in 1989.

*continued on page 104*

**RANK BY SALES**

## WESTERN SIZZLIN'
Augusta, GA

**RANK BY UNITS: 31**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $464,244 |
| 1987 U.S. Systemwide Units | 585 |
| 1987 Average Unit Volume ($000) | $790 |

Frank Carney, founder of Pizza Hut, and Mike Stack, former Chi-Chi's franchisee, joined with others to buy a 49% stake in Western Sizzlin'; 2 holding companies own the rest. Plans call for improving restaurants and the menu, and developing a new advertising strategy to build unit volumes. Franchisee support will be beefed up, and the chain's size may eventually double.

## 28 EL TORITO
(Restaurant Enterprises Group Inc.)
Irvine, CA

**RANK BY UNITS: 66**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $450,000(E) |
| 1987 U.S. Systemwide Units | 205 |
| 1987 Average Unit Volume ($000) | $2,200 |

El Torito is expanding conservatively after growth as high as 20 units per year in the early '80s. This year, 4 new units opened, and 4 are expected in 1989, all in California. The chain may begin to advertise in light of positive results from a TV test in Seattle this summer. Six new Southwestern items added to its traditional Sonoran menu helped increase third-quarter sales 6%-8%.

## 26 BASKIN-ROBBINS
Glendale, CA

**RANK BY UNITS: 10**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $460,000(E) |
| 1987 U.S. Systemwide Units | 2,511 |
| 1987 Average Unit Volume ($000) | $183 |

The number-2 ice cream chain is promoting lighter, lower-calorie items in addition to its premium and superpremium ice products, including frozen yogurt and Low, Light & Luscious, a 97% fat-free frozen dairy dessert. Store remodeling will continue at least throughout 1988, with more than half of all stores completed thus far.

## POPEYES
Jefferson, LA

**RANK BY UNITS: 25**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $445,000(E) |
| 1987 U.S. Systemwide Units | 707 |
| 1987 Average Unit Volume ($000) | $750 |

After adding 85 restaurants in 1988, Popeyes anticipates 100 new units in 1989, many designed to fill in existing markets. A double drive-thru with a walk-up window is also being tested, offering the full Popeyes menu in a prefabricated, 675-sq.-ft. building. More seafood emphasis is apparent in seasonal offerings of catfish, crawfish, and crab claws.

## BENNIGAN'S
(The Pillsbury Company)
Dallas, TX

**RANK BY UNITS: 64**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $455,000 |
| 1987 U.S. Systemwide Units | 211 |
| 1987 Average Unit Volume ($000) | $2,200 |

Bennigan's fate is unknown in light of an unfriendly offer for Pillsbury by the British conglomerate Grand Metropolitan PLC, which said it would sell Pillsbury's full-service restaurants. The chain's third-quarter same-store sales fell 5%, and Pillsbury had announced it would sell or close poor-performing units. Still, plans called for 50 openings in the next 5 years, most in the Northeast.

## 30 CHI-CHI'S
(Foodmaker Inc.)
Louisville, KY

**RANK BY UNITS: 73**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $435,000 |
| 1987 U.S. Systemwide Units | 186 |
| 1987 Average Unit Volume ($000) | $2,400 |

Foodmaker has not made any major changes in Chi-Chi's, which it acquired in April for $235 million, beyond some training and service improvements. Plans call for 12 new units in the next fiscal year, mostly in its Midwestern and mid-Atlantic strongholds, but with an eye to smaller markets (8 will be 5,700-sq.-ft. prototypes, the rest customary 7,000-sq.-ft. buildings).

*continued on page 108*

RANK BY SALES

## 31 GOLDEN CORRAL
(Investors Management Corp.)
Raleigh, NC

**RANK BY UNITS: 41**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $381,000(E) |
| 1987 U.S. Systemwide Units | 493 |
| 1987 Average Unit Volume ($000) | $816(E) |

This family steak-house chain is continuing to refine its menu, with emphasis on the Superbar food bar that was rolled out over the last 12 months and is now in 80% of stores. The chain continues to be a steady performer, with sales up slightly this year.

## 32 CARL'S JR.
(Carl Karcher Enterprises)

**RANK BY UNITS: 43**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $380,000(E) |
| 1987 U.S. Systemwide Units | 446 |
| 1987 Average Unit Volume ($000) | $905 |

Carl's Jr. continues to test debit cards in San Diego and Sacramento markets; customers use a bank debit card at the register, and can get up to $40 cash back. The company has rebounded in fiscal 1988 following losses in fiscal 1987, thanks to aggressive introduction of new menu items such as packaged salads and a country fried steak sandwich, as well as unit remodeling.

## 33 T.G.I. FRIDAY'S
(Carlson Companies Inc.)
Dallas, TX

**RANK BY UNITS: 82**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $364,122 |
| 1987 U.S. Systemwide Units | 128 |
| 1987 Average Unit Volume ($000) | $2,900 |

The rebounding casual chain is ready to grow again; after adding only 4 new units in 1987 and 1988, it will add 8 to 10 in 1989 and 10 to 15 in 1990, building to an ultimate 15% annual growth rate. 1988 will be the first fiscal year since 1982 with positive comparable store sales, which are trending 2% to 4% higher thus far. Operating profits are projected to be up 35%.

## 34 SUBWAY
(Doctor's Associates Inc.)
Milford, CT

**RANK BY UNITS: 12**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $360,000 |
| 1987 U.S. Systemwide Units | 1,810 |
| 1987 Average Unit Volume ($000) | $200 |

Now experiencing phenomenal growth, Subway opens 25 new units in some weeks, primarily the result of existing franchisees opening new units for a reduced franchise fee. The menu has changed little recently, and average unit volumes appear to be holding steady. Canada and Australia are offering big growth opportunities for the sandwich chain.

## 35 RAX
Columbus, OH

**RANK BY UNITS: 39**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $358,275 |
| 1987 U.S. Systemwide Units | 526 |
| 1987 Average Unit Volume ($000) | $701 |

Rax recently ended its fiscal year with its highest profits in 4 years, and the third highest net income since the company was incorporated, bringing a dramatic turnaround in share price: 35¢ a share in fiscal 1988, vs. a loss of 34¢ a share in fiscal 1987. Rax is testing a drive-thru-only concept called Zoomz that serves a limited menu of sandwiches, french fries, drinks, and burgers.

## 36 PERKINS
(Tennessee Restaurant Co.)
Memphis, TN

**RANK BY UNITS: 50**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $343,138 |
| 1987 U.S. Systemwide Units | 334 |
| 1987 Average Unit Volume ($000) | $1,027 |

Perkins continues its improvement under TRC; unit remodeling, new in-store bakeries, and improved marketing are contributing to 5% same-store sales increases this year. Breakfast remains strong, thanks to signature pancakes, waffles, and premium omelets, but Perkins is targeting dinner with its extended "melts" sandwich line and 5 new grilled chicken breast dinners.

*continued on page 110*

RANK BY SALES

## CAPTAIN D'S
(Shoney's Inc.)
Nashville, TN

**RANK BY UNITS: 33**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $329,000 |
| 1987 U.S. Systemwide Units | 574 |
| 1987 Average Unit Volume ($000) | $631 |

Parent company Shoney's went through a recapitalization process this year, switching the company's emphasis from developing company-owned restaurants to franchising. Captain D's was not greatly affected, because the fast-food seafood concept already emphasized franchising. About 30 units have been converted to a new store design. Newest menu item is baked fish.

## 38 SONIC
Oklahoma City, OK

**RANK BY UNITS: 18**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $315,000 |
| 1987 U.S. Systemwide Units | 953 |
| 1987 Average Unit Volume ($000) | $330 |

Sonic, a hamburger chain with '50s-style carhop service, has been growing steadily since an LBO by management in 1986. The company opened 50 units in fiscal 1987, another 60 in fiscal '88, and projects the opening of 75 additional units in fiscal '89. Growth is focused on California and the Southeast. The chain is emphasizing nostalgia by using Frankie Avalon in advertising.

## INTL. HOUSE OF PANCAKES
North Hollywood, CA

**RANK BY UNITS: 42**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $300,000 |
| 1987 U.S. Systemwide Units | 460 |
| 1987 Average Unit Volume ($000) | $652 |

Having completed an LBO of its former Swiss parent SVIDO, IHOP is upping expansion with 10 to 12 company and 10 franchised stores in 1989. The popular Rooty Tooty breakfast deal is backed by a new TV spot. IHOP is debuting Harvest Grain and Nut pancakes in selected markets and is also promoting 4 chicken sandwich platters and a Deep Sea Dinner Deal.

## 40 MORRISON'S FAMILY DINING

**RANK BY UNITS: 78**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $300,000 |
| 1987 U.S. Systemwide Units | 158 |
| 1987 Average Unit Volume ($000) | $1,900 |

Having changed signage to Morrison's Family Dining from Morrison's Cafeterias, the segment leader is spiffing up its image with unit remodelings. A smaller prototype (8,800 sq. ft. vs. 10,400 sq. ft.) allows an increase in seating from 285 to 320. The company added 9 units in fiscal 1988 and plans 10 in fiscal 1989, 4 of which will incorporate the new design.

## PIZZA INN
(Pantera's Inc.)
Dallas, TX

**RANK BY UNITS: 27**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $285,000(E) |
| 1987 U.S. Systemwide Units | 672 |
| 1987 Average Unit Volume ($000) | $457 |

Under new owner Pantera's, some changes have been made. A New York-style pizza has been introduced, and a variety of other pizzas are in various stages of test. In addition, an Italian buffet is also being tested. A 30-minute delivery guarantee is still in effect.

## 42 WHITE CASTLE
Columbus, OH

**RANK BY UNITS: 61**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $282,630 |
| 1987 U.S. Systemwide Units | 229 |
| 1987 Average Unit Volume ($000) | $1,264 |

This venerable burger chain boasts unit volumes that are among the highest in the burger segment, and shows consistent growth. White Castle recently embarked upon an era of modern marketing under E.W. Ingram III, grandson of the cofounder, adding new menu items and sharpening advertising and promotion efforts to target younger customers.

*continued on page 114*

**RANK BY SALES**

## ROUND TABLE PIZZA
San Francisco, CA

**RANK BY UNITS: 38**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $265,000 |
| 1987 U.S. Systemwide Units | 530 |
| 1987 Average Unit Volume ($000) | $500 |

Like others, this regional pizza chain, which operates in 10 states, is expanding delivery, with over 100 stores now offering it. Management is currently reviewing the menu for possible deletions and additions, and at least 6 new products are in various stages of test. Meanwhile, average unit volumes are holding steady in the $500,000 range.

## 46 CARVEL ICE CREAM
Yonkers, NY

**RANK BY UNITS: 21**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $245,000(E) |
| 1987 U.S. Systemwide Units | 850 |
| 1987 Average Unit Volume ($000) | $355 |

There are reports that the privately held, 55-year-old ice cream chain is considering offers for the business, since founder and principal stockholder Thomas Carvel is in his late 70s. Following the lead of its segment competitors, the third-largest ice cream chain began testing frozen yogurt this summer.

## 44 BOB EVANS
Columbus, OH

**RANK BY UNITS: 70**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $257,760(E) |
| 1987 U.S. Systemwide Units | 194 |
| 1987 Average Unit Volume ($000) | $1,350 |

Bob Evans Restaurants is emphasizing value to boost dinner sales, pricing 7 of 12 entrees under $5. New selections include beef stew, charbroiled catfish, meat loaf, and country-fried steak. Acquisition of Owens Sausage Co. of Texas last year brought the potential of 100 new Owens Family Restaurants, with 1 Owens unit now in operation and 2 under construction.

## STUART ANDERSON'S
(American Restaurant Group) Los Altos, CA

**RANK BY UNITS: 87**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $245,000(E) |
| 1987 U.S. Systemwide Units | 117 |
| 1987 Average Unit Volume ($000) | $2,220 |

This chain is a solid performer after refocusing on its steakhouse identity (for a while, the chain had tried to shed its image as a steak house because of a reported decline in red meat consumption). The chain lost 19 units when Marriott sold it to American Restaurant Group, but just opened a new one in Southern California.

## GODFATHER'S PIZZA
Omaha, NE

**RANK BY UNITS: 30**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $252,516 |
| 1987 U.S. Systemwide Units | 590 |
| 1987 Average Unit Volume ($000) | $429 |

A recently completed LBO put 6 top managers and Citicorp in an ownership position. Dessert pizzas and bacon cheeseburger pizzas are both new menu additions, but Godfather's 30-minute delivery guarantee was recently cut back due to concerns over driver safety. Centralized ordering is now in place in 3 markets, with more expected soon.

## 48 LUBY'S CAFETERIAS
San Antonio, TX

**RANK BY UNITS: 90**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $239,002 |
| 1987 U.S. Systemwide Units | 108 |
| 1987 Average Unit Volume ($000) | $2,370 |

Luby's enjoyed its 15th straight year of record sales and net income in 1987—and the segment's highest average unit volume. Luby's now offers a take-out menu at all units, and has a dedicated take-out counter and staff at its new Houston unit. After roughly doubling in size in the past decade, Luby's is committed to a 10% annual growth, planning 11 openings in fiscal '89.

*continued on page 118*

**RANK BY SALES**

## STEAK & ALE

(The Pillsbury Co.)
Dallas, TX

**RANK BY UNITS: 75**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $235,000 |
| 1987 U.S. Systemwide Units | 170 |
| 1987 Average Unit Volume ($000) | $1,400 |

Steak & Ale's status was uncertain at press time in the wake of an attempted takeover of Pillsbury by Grand Metropolitan PLC, a British liquor and food retailer that has said it would sell Steak & Ale because of laws preventing a liquor company from owning restaurants that serve liquor. Because of soft sales, Steak & Ale is refocusing on its image as a classic steak house.

## 52 CHILI'S

Dallas, TX

**RANK BY UNITS: 83**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $226,110 |
| 1987 U.S. Systemwide Units | 126 |
| 1987 Average Unit Volume ($000) | $1,950 |

Fiscal 1988 was another growth year; revenues, net income, and earnings increased, and same-store sales rose 4.6%. Chili's opened 21 company and 11 joint-venture and franchised stores for a total of 146 units, and plans a similar pace in 1989. The company recently rolled out a new menu with 4-color art and 2 new items, a tuna-steak sandwich and Southwestern shrimp.

## 50 WAFFLE HOUSE

Norcross, GA

**RANK BY UNITS: 28**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $235,000(E) |
| 1987 U.S. Systemwide Units | 635 |
| 1987 Average Unit Volume ($000) | $380 |

This privately held chain of 24-hour diner/coffee shops now operates in 20 states, including Texas, Arizona, Colorado, New Mexico, Illinois, and Indiana; approximately 350 units are franchised. No-frills Waffle House serves specialty waffles and other breakfast foods all day; the menu also includes sandwiches, chicken, seafood, and steaks.

## QUINCY'S FAMILY STEAKHOUSES

(TW Services Inc.) Spartanburg, SC

**RANK BY UNITS: 63**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $221,500 |
| 1987 U.S. Systemwide Units | 215 |
| 1987 Average Unit Volume ($000) | $1,030 |

For the last 2 years, Quincy's has foregone expansion to concentrate on building store traffic. As a result, sales are on a steady upward trend, and unit expansion will resume in 1989. The chain's Country Sideboard food bar has been expanded to include a dessert bar with soft-serve sundaes, and the company is investing about $7 million a year upgrading units.

## GROUND ROUND

(Hanson Trust PLC)
South Weymouth, MA

**RANK BY UNITS: 72**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $228,600 |
| 1987 U.S. Systemwide Units | 192 |
| 1987 Average Unit Volume ($000) | $1,191 |

Family-oriented Ground Round has returned to profitability following 3 years of losses; in fiscal 1987, operating profits were up 57%. The company is growing; earlier this year, 19 Stuart Anderson's restaurants were acquired from Marriott for conversion. The company also has an agreement with The Riese Organization to develop a minimum of 9 Ground Rounds in NYC.

## 54 MARIE CALLENDER PIE SHOPS

(Ramada Inns Inc.) Orange, CA

**RANK BY UNITS: 81**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $220,000(E) |
| 1987 U.S. Systemwide Units | 135 |
| 1987 Average Unit Volume ($000) | $1,900 |

The chain will step up expansion, opening 54 units in the next several years; development of the Midwest will begin in 1989. Sales have been buoyed by recent promotions: Lighter Side (healthy) and American Fall Classics (hearty). The chain says it does not expect legal battles between founder Don Callender and Ramada to impact it at this time.

*continued on page 120*

**RANK BY SALES**

## VILLAGE INN
(VICORP)
Denver, CO

**RANK BY UNITS: 56**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $219,700 |
| 1987 U.S. Systemwide Units | 272 |
| 1987 Average Unit Volume ($000) | $873 |

A reemphasis on breakfast has helped boost customer counts and sales in fiscal '88, despite lingering difficulties caused by the rapid absorption of 175 Sambo's units into the VICORP system. As it climbs back into the black, the chain will halt new unit growth, focusing on training, recruitment, and retention.

## 58 WHATABURGER
Corpus Christi, TX

**RANK BY UNITS: 48**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $210,000(E) |
| 1987 U.S. Systemwide Units | 345 |
| 1987 Average Unit Volume ($000) | $600 |

This hamburger chain markets to adults, with a menu of built-to-order burgers, onion rings, fish sandwiches, omelet sandwiches, and pancakes. The chain is now adding drive-thrus, and last year introduced the "taquito," a tortilla with pork sausage, egg, and cheese. The privately held company boasts a very strong presence in the Southwestern region.

## 56 PICCADILLY CAFETERIAS
Baton Rouge, LA

**RANK BY UNITS: 86**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $219,609 |
| 1987 U.S. Systemwide Units | 118 |
| 1987 Average Unit Volume ($000) | $1,861 |

Fiscal 1988 brought 8% sales growth and 10 new cafeterias, including 2 in high-potential California; fiscal 1989 calls for at least 12 more units—2 more in California. Other priorities include a breakfast test, expanded take-out program, and new double-line units designed to double sales at a minimal investment. New menu items stress ethnic entrees and "treat" items.

## CHICK-FIL-A
Atlanta, GA

**RANK BY UNITS: 47**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $202,724 |
| 1987 U.S. Systemwide Units | 363 |
| 1987 Average Unit Volume ($000) | $574 |

Chick-fil-A, located in 31 states, primarily operates in malls, but has just built 10 freestanding stores to fill in markets. The new designs garner annual revenues in the $1 million range, almost doubling mall totals. Breakfast has also been added in new locations, helping to spur 11% sales increases last year. Potential trouble: drought-induced chicken price increases.

## FURR'S CAFETERIAS
(Furr's/Bishop's Cafeterias L.P.) Lubbock, TX

**RANK BY UNITS: 83**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $212,350(E) |
| 1987 U.S. Systemwide Units | 126 |
| 1987 Average Unit Volume ($000) | $1,500(E) |

An all-you-can-eat promotion has significantly increased customer traffic for Furr's Cafeterias and its sister chain, Bishop's; counts in June of 1988 increased 9% over year-ago levels. Drive-thru and take-out tests are in the works at 8 remodeled cafeterias. Furr's/Bishop's Cafeterias L.P., a unit of Cavalcade & Co., did not expand during 1988.

## 60 TONY ROMA'S
Dallas, TX

**RANK BY UNITS: 92**

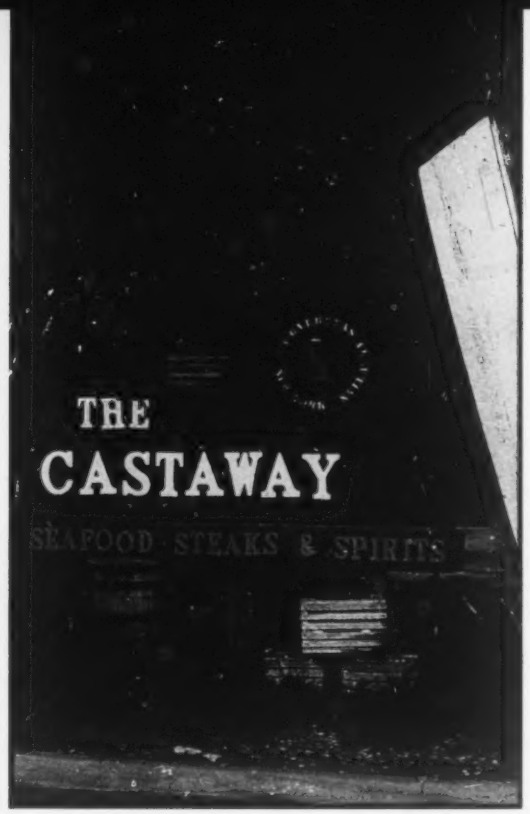
| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $200,000(E) |
| 1987 U.S. Systemwide Units | 96 |
| 1987 Average Unit Volume ($000) | $2,350 |

Tony Roma's remains true to its signature ribs and limited-menu concept, but it continues to broaden its appeal with items added in the past few years such as beef, chicken, seafood, and a few appetizers. The chain will add about 25 to 30 units this year and keep up the pace next year. The Pacific Northwest is a promising expansion region.

*continued on page 123*



For more information on Norpac Food Sales circle number 206 ➞




taurants, and a few others. It was easy to make money then. It has changed completely. It is so competitive now."

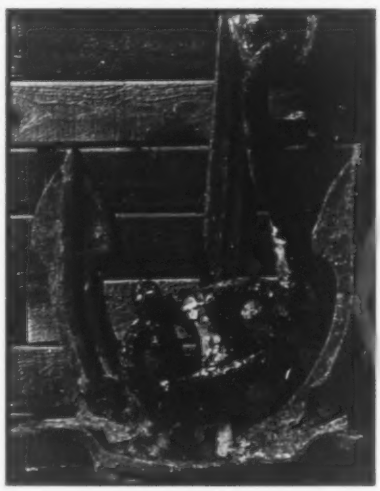
Partly in response to the competitive pressures of the burgeoning restaurant industry, Tallichet took the company public in 1968. "That was a time when Kentucky Fried Chicken and McDonald's could do no wrong—Wall Street loved restaurants," recalls Tallichet. SRC had 11 restaurants at the time, and each one was structured as a partnership. "My partners wanted to get their money out of the thing, so I took the company public for them. But I never really liked being part of a public company."

By 1980, Tallichet had decided he wanted to go private again, and he did, with about 120 other shareholders. Tallichet's family now owns 98% of the company, with Tallichet himself holding a 2.5% share. But the repurchase of the company took its toll, and the debt load has been high ever since then. "We have a debt problem today," admits Tallichet. "It took being turned down for more money by banks for me to see it, though. Banks are more honest with you than your own board of directors is," he complains.

**CATALYSTS FOR CHANGE.** The bank problems have forced Tallichet to look at his restaurant chain more closely, and have been—in part—the catalysts for the changes now occurring at SRC. Staib, an operations pro who arrived from Omni Hotels six months ago and hasn't yet stopped to unpack his boxes from back East, has begun to institute changes designed to help turn SRC's fortunes around.

"My job is simple," comments Staib. "It's to take these spectacular sites and build on that base. It isn't enough any more to have the finest locations in the business. We have to fight a competitive battle very aggressively in order to be successful. It is a tough, tough marketplace, and we have to battle for everything we get. No more free rides. Sure, we have great sites, but a lot of other guys cut into our turf."

Some of the biggest changes to come at SRC will probably occur on the chain's menus. "We will want to do



smaller menus," says Staib, who became known during his tenure at Omni for developing slimmed-down, bistro-style menus featuring a range of lighter food items. Many SRC menus today feature large portions of beef, and plans call for adding lighter menu items, including salads and fish, as well as trimming existing menus.

But changing SRC's menus, cautions Staib, must be handled carefully. "In many locations, we are the special-occasion restaurant," he emphasizes. "So it will be necessary to keep many of the traditional, higher-end cuts of beef and larger portions. In many markets, that's what people expect in a restaurant like ours."

Tallichet, who staked his company's reputation on large portions of food, is more emphatic than Staib in his insistence on keeping menus the way they are. "I want to see very little change in the menus," he says. "I especially don't want to mess around with trendy foods. I don't want to see pasta salads. I certainly think we should go easy on the sugar and salt in our recipes, but I don't want to walk away from the food that has built our reputation. I like large portions of steak and seafood, and I know that there are a lot of people out there who feel that same way."

Staib points to marketing and merchandising as two areas where Specialty needs to catch up. "We haven't been much of a merchandising company," he says. "But we have excellent opportunities to boost check averages, and to get people to come in more often. You have to remember that fixed costs stay the same, so any bit of extra business you can build is excellent." He points to opportunities at lunch, for early supper, for late dinners, and in catering. "All those dayparts represent potential new areas of business for us," says Staib. He intends to begin training managers to take advantage of those times when restaurants are quiet, by providing them with a portfolio of "off the shelf" promotions that can be used at any time. "Some promotions will work in some locations, but won't in others," says Staib. "I want to have a stable of them that managers can use when they want."

Staib also points to increasing wine sales as another income opportunity. Chainwide, the food/liquor ratio is cur-

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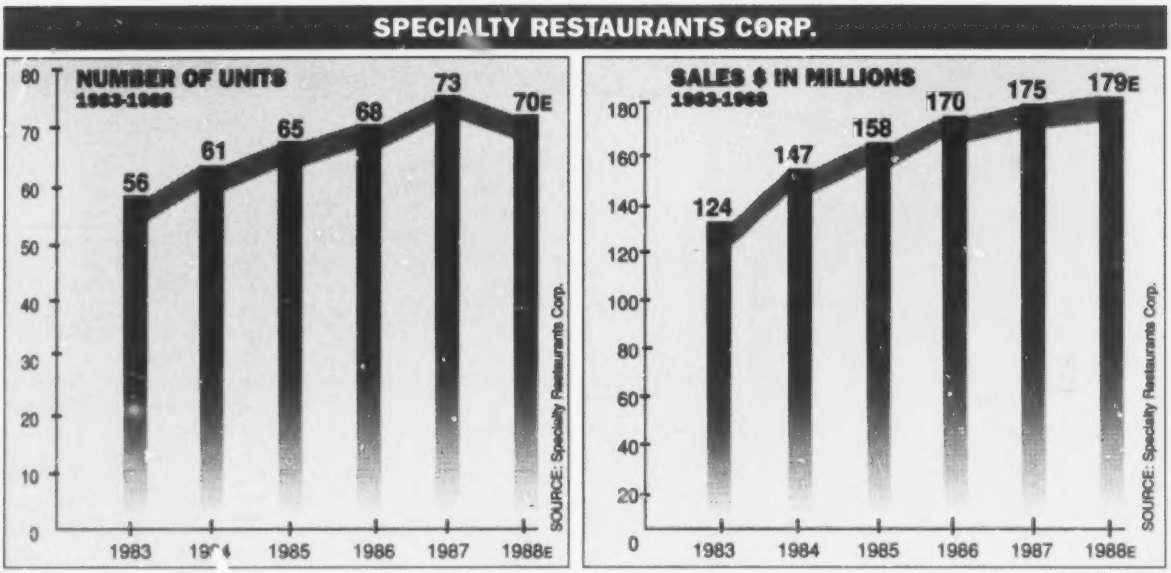



rently 80/20, and Staib is anxious to get to something closer to a 65/35 mix. "We're currently doing more wine training, upgrading wine lists, and adding wine by the glass," he adds. In addition, some units will be remodeled and refurbished, as capital expenditures permit. "Some of the locations have gotten too shabby and need to be upgraded," admits Staib.

But Staib insists that he is not out to "Omni-ize" Specialty Restaurants Corp. "I'm not going to put bistros in each location," Staib notes, referring to his strategy at Omni. "But I believe that the best advertising we can do is on the plate. So, we will look at menus on a regional basis and possibly make changes to reflect strong regional preferences." He points out that SRC is heavily dependent on a tourist dollar in many of its locations. "When they come into a Louisiana location, they should be able to expect a number of Louisiana dishes," says Staib. "We also want to develop signature items for each of the themes," adds Staib. "For example, I want a customer to be able to get certain dishes in each Baby Doe's location. That's important for developing an image."

And, beyond each individual theme's image, Staib is concerned with developing the reputation of SRC within the foodservice industry as a great place to work. "We want to be known as a company where ambitious people will want to come to work," he adds. Staib sees the organization not as a chain but as a "collage" or "collection" of restaurants. "We aren't like a Bennigan's or a Red Lobster," he says. "The manager doesn't just come over in the morning and turn a key

RANK BY SALES

## 61 WESTERN STEER MOM 'N' POPS

**Claremont, NC**

**RANK BY UNITS: 70**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $189,000(E) |
| 1987 U.S. Systemwide Units | 194 |
| 1987 Average Unit Volume ($000) | $900 |

This family steak-house chain concentrated in the Southeast is test-marketing a new menu to be introduced by February; although still steak-oriented, it includes entrees such as mesquite chicken and Hawaiian chicken. A unit-upgrade program is being promoted to franchisees. New management stepped in in 1987, headed by Cecil Hash, one of Western Steer's first franchisees.

## 62 WYATT CAFETERIAS

**Dallas, TX**

**RANK BY UNITS: 85**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $189,000 |
| 1987 U.S. Systemwide Units | 119 |
| 1987 Average Unit Volume ($000) | $1,600 |

Since thwarting a takeover attempt by Furr's/Bishop's Cafeterias in 1988, Wyatt hopes to refocus its attention on the business. Future marketing will play up Wyatt's 100% employee ownership and high employee morale. Having shelved a breakfast test begun last fall, it is now testing "Wyatt's To Go," a dedicated carry-out line, in new and remodeled stores.

## 63 KRYSTAL

**Nashville, TN**

**RANK BY UNITS: 60**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $185,000 |
| 1987 U.S. Systemwide Units | 243 |
| 1987 Average Unit Volume ($000) | $765 |

A continued focus on improving operations, coupled with the introduction of Double Krystals and 59¢ Sunriser breakfast sandwiches, have resulted in a return to improved sales and customer counts. Expansion plans focus on the new double-drive-thru "Kwik" concept as a cost-efficient way to increase Krystal distribution.

## 64 RYAN'S FAMILY STEAK HOUSES

**Greer, SC**

**RANK BY UNITS: 93**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $185,000 |
| 1987 U.S. Systemwide Units | 95 |
| 1987 Average Unit Volume ($000) | $2,344 |

This hasn't been a great year for Ryan's; president T. Mark McCall resigned this summer after the company's sales plunged. Ryan's, famous for its "mega" food bars, has been the envy of the budget steak-house segment, with average unit volumes surpassing $2 million. Known for price/value relationship, Ryan's was hurt by its first price increase in 4 years.

## 65 PO FOLKS

**Nashville, TN**

**RANK BY UNITS: 77**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $182,500 |
| 1987 U.S. Systemwide Units | 163 |
| 1987 Average Unit Volume ($000) | $1,200 |

New menu items include pot roast and meat loaf, as well as spaghetti. Strawberry shortcake—another new item—is also doing well. Advertising—now 5% of sales—primarily focuses on daily specials in the $2.99 to $4.99 range. No new units opened in 1988, and some franchisees went out of business or closed stores. A new president, John Theoharris, is now on board.

## 66 GRANDY'S

**(American Restaurant Group Inc.)**
**Louisville, TX**

**RANK BY UNITS: 67**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $180,000 |
| 1987 U.S. Systemwide Units | 201 |
| 1987 Average Unit Volume ($000) | $895 |

Operating in 7 major markets in the Sunbelt, Grandy's added few new restaurants in 1988, but sales growth is climbing. Two new chicken sandwiches were added, a chicken breast and a chicken fried steak sandwich.

*continued on page 124*

RANK BY SALES

## 67 COUNTRY KITCHEN

(Carlson Companies Inc.) Minneapolis, MN

**RANK BY UNITS: 74**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $169,200 |
| 1987 U.S. Systemwide Units | 252 |
| 1987 Average Unit Volume ($000) | $641 |

Carlson's Country Hospitality division plans to grow its mid-scale family-oriented Country Kitchen restaurants and Country Hospitality Inns to a target of 500 restaurants and 300 inns by the end of 1992; some will share sites. This year, 24 new restaurants were planned. CK maintains its positioning with items like country pot roast, designed to boost dinner sales.

## 68 MR. DONUT

(International Multifoods)
Minneapolis, MN

**RANK BY UNITS: 69**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $169,000 |
| 1987 U.S. Systemwide Units | 535 |
| 1987 Average Unit Volume ($000) | $286 |

Plans call for 52 new stores by February 1989, with 5%-10% annual growth in the future. The company has taken over 5 supermarkets with in-house bakeries and is producing a Mr. Donut branded product, and is testing Tastee Freez soft-serve in 6 Mr. Donuts. The chain is promoting croissants and muffins and has a sandwich program in 30% of its system.

## 69 BOJANGLES

(Horn & Hardart Inc.)
New York, NY

**RANK BY UNITS: 57**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $158,280 |
| 1987 U.S. Systemwide Units | 222 |
| 1987 Average Unit Volume ($000) | $713 |

At press time, Bojangles, which had become a disappointment for Horn & Hardart, was for sale. Management assumed it would be sold by the close of 1988.

## 70 BAKERS SQUARE

(VICORP)
Denver, CO

**RANK BY UNITS: 49**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $155,788 |
| 1987 U.S. Systemwide Units | 138 |
| 1987 Average Unit Volume ($000) | $1,225 |

Fiscal 1988 will be profitable, as the chain recovers from the difficult absorption of 82 former Sambo's on the West Coast. The emphasis is on increasing store performance by simplifying operations and increasing training. The menu has been redesigned and cleaned of underperforming items. Traditional items such as signature pies, rather than new items, will be emphasized.

## 71 WINCHELL'S DONUT HOUSES

(TW Services Inc.) La Mirada, CA

**RANK BY UNITS: 52**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $150,953 |
| 1987 U.S. Systemwide Units | 727 |
| 1987 Average Unit Volume ($000) | $207 |

New president Jim Verney is working hard on a turnaround with a new team, trying to increase unit volumes and boost morale. Cost-cutting has already hit headquarters hard, and regions have been reduced from 13 to 8. Management emphasizes that the chain is not for sale.

## 72 BROWN DERBY

Cleveland, OH

**RANK BY UNITS: 55**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $150,800(E) |
| 1987 U.S. Systemwide Units | 52 |
| 1987 Average Unit Volume ($000) | $2,900 |

This privately held company boasts a loyal following—and average unit volumes approaching $3 million. Aimed at families, the slightly upscale menu offers entrees ranging from chicken to steaks and fresh seafood. Units are usually freestanding; 1 new unit seats 560 people, but most are somewhat smaller. The company expands very slowly—about 1 new unit annually.

*continued on page 130*

RANK BY SALES

## SHOWBIZ PIZZA
Irving, TX

**RANK BY UNITS: 59**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $147,000(E) |
| 1987 U.S. Systemwide Units | 185 |
| 1987 Average Unit Volume ($000) | $900* |

A pending deal will spin the pizza chain off from owner Integra (formerly Brock Hotel Corp.), freeing management to focus exclusively on pizza. Ten new units opened in 1988, with 16 expected in 1989, primarily in existing markets. Sales are up about 10% over '87, as the company continues to attract families, rather than preteens, with emphasis on skill games in stores.

## 76 MR. GATTI'S
(LDB Corp.)
Austin, TX

**RANK BY UNITS: 80**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $140,000 |
| 1987 U.S. Systemwide Units | 337 |
| 1987 Average Unit Volume ($000) | $455 |

The main strategy at Mr. Gatti's is to continue to build out existing markets. On-call number centers are being added to the existing 4 as markets warrant. The chain says it doesn't coupon, but offers 2-for-1s regularly. There is no guarantee on delivery. Units are gradually being refurbished to conform with new standards, including awnings and new window treatments.

## 74 BRAUM ICE CREAM STORES
Oklahoma City, OK

**RANK BY UNITS: 37**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $145,000 |
| 1987 U.S. Systemwide Units | 195 |
| 1987 Average Unit Volume ($000) | $750 |

Braum Ice Cream Stores offer counter service of ice cream and sandwiches, plus dairy foods, sausage, and fresh-baked goods to take out. This privately held, family-owned company operates in three states—Oklahoma, Texas, and Kansas—with expansion into Arkansas possible. The company has been testing drive-thru windows for ice cream and sandwich takeout.

## DEL TACO
(AWR II Inc.)
Costa Mesa, CA

**RANK BY UNITS: 24**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $137,000(E) |
| 1987 U.S. Systemwide Units | 287(E) |
| 1987 Average Unit Volume ($000) | $550(E) |

Recently combined with Naugles under one banner by Anwar Soliman, this Mexican chain has yet to develop a permanent strategy beyond going after segment leader Taco Bell, especially in California. The number of restaurants of either concept is up in the air, although new items are in test and changes have been discussed by Soliman and new president Wayne Armstrong.

## SHAKEY'S PIZZA
Irving, TX

**RANK BY UNITS: 62**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $142,000(E) |
| 1987 U.S. Systemwide Units | 254 |
| 1987 Average Unit Volume ($000) | $558 |

Following a period of dormancy, Shakey's now has 10 new units open or under construction. All are of a new 300-seat design and boast volumes in the $1 million range. New markets have been opened in California, Wisconsin, and Illinois, and the company has also started new product development and is now selling master franchises.

## 78 LEE'S FAMOUS RECIPE
(Shoney's Inc.) Nashville, TN

**RANK BY UNITS: 99**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $137,000 |
| 1987 U.S. Systemwide Units | 275 |
| 1987 Average Unit Volume ($000) | $521 |

Due to recapitalization of parent Shoney's, company-owned unit growth has been trimmed and the focus is strictly on franchising; there is renewed emphasis on operations as well. Sales on a comparable basis were up 15% in 1988.

*continued on page 144*

RANK BY SALES

## 79 HOULIHAN'S

(Gilbert/Robinson Inc.)
Kansas City, MO

**RANK BY UNITS: 96**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $135,000(E) |
| 1987 U.S. Systemwide Units | 55 |
| 1987 Average Unit Volume ($000) | $2,500 |

New York City-based Riese Organization will pay $200-$250 million for 56 Houlihan's; Riese had been Houlihan's sole franchisee with 10 units. This will clear the way for more aggressive expansion of the casual chain (up to 15% annually), which had been held to only 3 units this year—due in part to the LBO debt of G/R's parent, Restaurant Enterprises Group Inc.

## 80 MAZZIO'S PIZZA

Tulsa, OK

**RANK BY UNITS: 53**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $135,000 |
| 1987 U.S. Systemwide Units | 279 |
| 1987 Average Unit Volume ($000) | $600 |

This "upscale" pizza parlor (average check, $8.50) still has no intention of dealing, but is expanding delivery at a rapid clip, as off-premise sales increase while in-store volumes flatten. Mazzio's recently built its first delivery-only locations, and expects more to follow. The company sees potential difficulties down the road with wholesale price increases early in 1989.

## 81 PAPA GINO'S

Dedham, MA

**RANK BY UNITS: 68**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $134,000 |
| 1987 U.S. Systemwide Units | 200 |
| 1987 Average Unit Volume ($000) | $625 |

For each of the last 5 years, Papa Gino's has added about 17 units, and it followed suit in 1988. The chain also added premium soft ice cream with mix-ins to its existing menu of pizza and Italian specialties. A newly designed store was introduced in Florida, and others will soon follow. No new markets will be added, at least for now.

## 82 YORK STEAK HOUSE

(General Mills Restaurant Group) Orlando, FL

**RANK BY UNITS: 89**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $132,683 |
| 1987 U.S. Systemwide Units | 111 |
| 1987 Average Unit Volume ($000) | $1,186 |

At press time, York operated only 80 units and was on the block; systemwide sales of remaining units are estimated at $96 million. Originally a budget steak house, York had been repositioning into a low-price family restaurant and undergoing a period of rigorous testing of menus, including the addition of large Bounty Buffet food bars in some units.

## 83 OLIVE GARDEN

(General Mills Restaurant Group)
Orlando, FL

**RANK BY UNITS: 94**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $130,677 |
| 1987 U.S. Systemwide Units | 70 |
| 1987 Average Unit Volume ($000) | $2,588 |

This chain is now a leading growth vehicle for General Mills, doubling in size last year. The menu includes Italian specialties with unlimited salad and bread. Units are conversions to keep costs low, and average checks and average unit volume are steadily growing. Similar future growth is predicted.

## 84 FUDDRUCKERS

San Antonio, TX

**RANK BY UNITS: 88**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $129,629 |
| 1987 U.S. Systemwide Units | 116 |
| 1987 Average Unit Volume ($000) | $1,172 |

This gourmet burger chain has successfully negotiated a turnaround. Following financial restructuring, Fuddruckers has introduced a dramatically expanded menu, remodeled 5 units to resemble diners, and is testing full service in 2 units. Franchising continues to expand, and units are to open in eastern Canada, Great Britain, Mexico City, Australia, and Japan.

*continued on page 138*

RANK BY SALES

## 85 COCO'S

(Restaurant Enterprises Group)
Irvine, CA

**RANK BY UNITS: 79**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $128,000(E) |
| 1987 U.S. Systemwide Units | 139 |
| 1987 Average Unit Volume ($000) | $925 |

Two new units have been added in 1988, and the focus at Coco's now is on building dinner business. Advertising campaigns have centered on dinner entrees such as steak and shrimp brochette and prime rib, sold in the $7.95 range. A new prototype unit is in the works, and more menu changes are expected.

## 86 A&W RESTAURANTS

(Taubman Investments Inc.) Livonia, MI

**RANK BY UNITS: 40**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $122,600 |
| 1987 U.S. Systemwide Units | 502 |
| 1987 Average Unit Volume ($000) | $230 |

Following a sluggish 4 years, A&W this year will open 25 new units, and hopes to do better in 1989. The chain went off TV to focus ad dollars in radio. Curly fries were recently added to the menu, although franchisees adopt new products individually; the chain is almost 100% franchised. A&W's big promotion in 1988 was "million dollar giveaway," with food as prizes.

## 87 TCBY

Little Rock, AR

**RANK BY UNITS: 23**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $121,200 |
| 1987 U.S. Systemwide Units | 822 |
| 1987 Average Unit Volume ($000) | $210 |

The frozen yogurt segment leader entered the advertising big leagues in 1988 with a spring network TV campaign and as a network sponsor of the Summer Olympics. In 1988, the 7-year-old chain passed the 1,000-store milestone on the way to a projected 1,200 by year-end; the growth spurt has made it sought after both by franchisees and shopping mall developers.

## 88 KETTLE RESTAURANTS

Houston, TX

**RANK BY UNITS: 65**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | 20,149 |
| 1987 U.S. Systemwide Units | 208 |
| 1987 Average Unit Volume ($000) | $575 |

The midscale chain operates in 17 states, primarily in the Sunbelt; more than 40 sites are shared with La Quinta and other budget motels. For its 20th anniversary this year, the chain rolled back prices on specials to 1968 prices. Operations and sales have shown improvement despite Oil Belt woes, but expansion was cut from 25-30 units to 7 new stores this year.

## 89 SBARRO

Commack, NY

**RANK BY UNITS: 58**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $116,000(E) |
| 1987 U.S. Systemwide Units | 253 |
| 1987 Average Unit Volume ($000) | $500 |

Until this year, Sbarro only operated in regional malls with some downtown penetration. The company has just built its first 2 freestanding locations in Puerto Rico, and expects to open in a strip center outside Philadelphia. Sbarro emphasizes fresh food, at moderate prices. Seventy-five new units, mostly company-owned, were added in 1988, up from last year.

## 90 EL CHICO

Dallas, TX

**RANK BY UNITS: 91**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $112,000 |
| 1987 U.S. Systemwide Units | 97 |
| 1987 Average Unit Volume ($000) | $902 |

This year, same-store sales are trending positively again after a difficult last year when same-store sales declined by 5%. Company store development will fill in core markets in Texas, Oklahoma, and Louisiana, but future franchising will focus on places outside the Oil Belt, such as Nashville. Plans call for an additional 3 company units and 6 to 8 franchised stores this year.

*continued on page 143*

RANK BY SALES

## RED ROBIN
Irvine, CA

**RANK BY UNITS: 100**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $112,000(E) |
| 1987 U.S. Systemwide Units | 45 |
| 1987 Average Unit Volume ($000) | $2,500 |

Under its relatively new Japanese management—Skylark Ltd.—Red Robin is changing its menu and preparing a new building design. New menu items in test include a steak, grilled fish, and reformulated presentations of old favorites. Emphasis will remain on moderate prices, but the chain hopes to lure more dinner patrons and sell more entrees in the $6.95 to $8.95 range.

## 94 NAUGLES
(AWR II Inc.)
Costa Mesa, CA

**RANK BY UNITS: 76**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $109,000 |
| 1987 U.S. Systemwide Units | 165 |
| 1987 Average Unit Volume ($000) | $650 |

Recently combined with Del Taco under one banner by entrepreneur Anwar Soliman, Naugles' future is as yet undefined; the number of restaurants of either concept is up in the air, although new items are in test and changes have been discussed by Soliman and new president Wayne Armstrong. A market-share battle looms in California, especially with segment leader Taco Bell.

## 92 CRACKER BARREL
Lebanon, TN

**RANK BY UNITS: 96**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $110,621 |
| 1987 U.S. Systemwide Units | 55 |
| 1987 Average Unit Volume ($000) | $2,087 |

Cracker Barrel Old Country Stores is slowly moving north along interstate routes I-65 and I-75, primarily in Ohio and Indiana. Nine new company restaurants were built in 1988, up from recent years. New items include vegetables of the day and various discount-price lunch specials. The appointment of a new marketing v.p. may signal a new approach.

## ORANGE JULIUS
(International Dairy Queen Corp.)
Minneapolis, MN

**RANK BY UNITS: 32**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $109,000(E) |
| 1987 U.S. Systemwide Units | 579 |
| 1987 Average Unit Volume ($000) | $190 |

Acquired by Dairy Queen in 1987, the beverage and snack concept is being adapted into DQ's promising shopping mall Treat Centers. Along with OJ items, Treat Centers offer DQ frozen desserts and the snacks of Karmelkorn, another DQ acquisition of the past few years. This year, the chain is offering franchisees its first unified marketing program.

## MRS. FIELDS COOKIES
Park City, UT

**RANK BY UNITS: 45**

| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $110,000(E) |
| 1987 U.S. Systemwide Units | 400 |
| 1987 Average Unit Volume ($000) | $330 |

Mrs. Fields—with troubles of its own—is still trying to absorb and manage La Petite Boulangerie, the specialty bakery chain it purchased from PepsiCo in 1987. Mrs. Fields is testing combo units in 3 locations, possibly under the name Mrs. Fields Bakery; drive-thru is also being tested. Some standard stores have reportedly closed, although the chain will not elaborate.

## 96 WIENERSCHNITZEL
(Galardi Group Inc.)
Newport Beach, CA

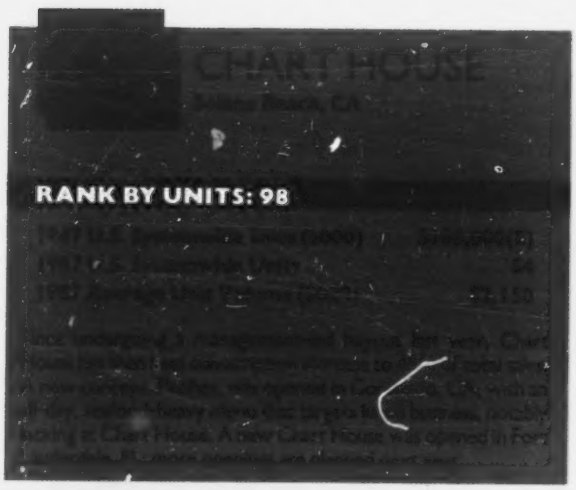
**RANK BY UNITS: 54**

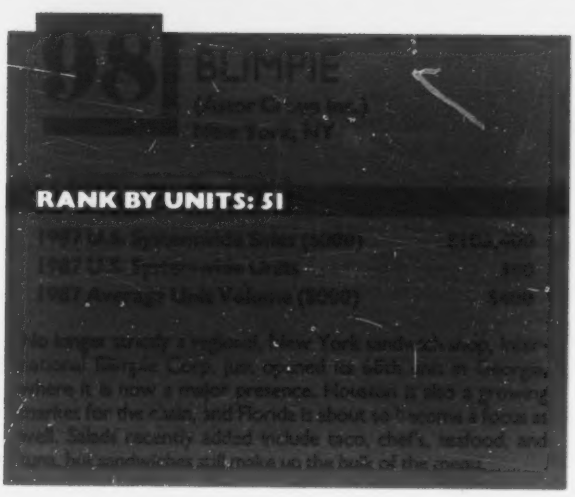
| | |
|---|---|
| 1987 U.S. Systemwide Sales ($000) | $109,000 |
| 1987 U.S. Systemwide Units | 273 |
| 1987 Average Unit Volume ($000) | $400 |

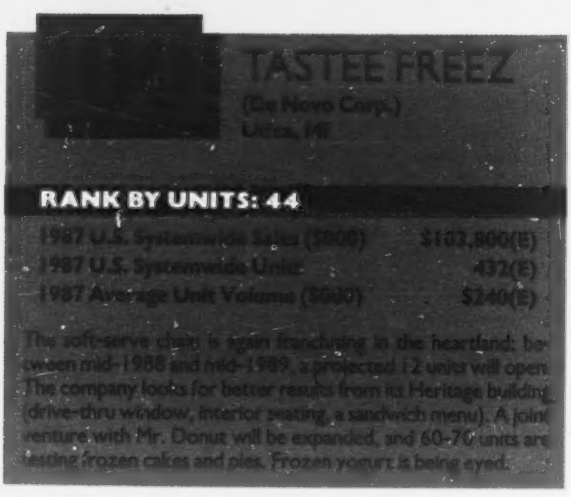
An ill-conceived move into hamburgers from its hot dog base of a few years ago has been reversed and hot dogs are now back to 40% of sales, with burgers dropping down to 20%. Fifteen new units were added in 1988, a rate that is expected to continue. Deals for Hong Kong and Tokyo are expected soon.

*continued on page 147*

RANK BY SALES







TASTEE FREEZ
RANK BY UNITS: 44
1987 U.S. Systemwide Sales ($000) $102,800(E)
1987 U.S. Systemwide Units 432(E)
1987 Average Unit Volume ($000) $240(E)

# TOP 100 PROTOCOL

Why another Top 100 study? *Restaurant Business* believes that its product is superior to that of its competitors for several reasons.

First of all, there is no redundancy of franchisee data; for example, the sales of Spartan Food Systems, a major Hardee's franchisee, are included in Hardee's results and not as a separate business entity—where they would, in effect, be counted twice.

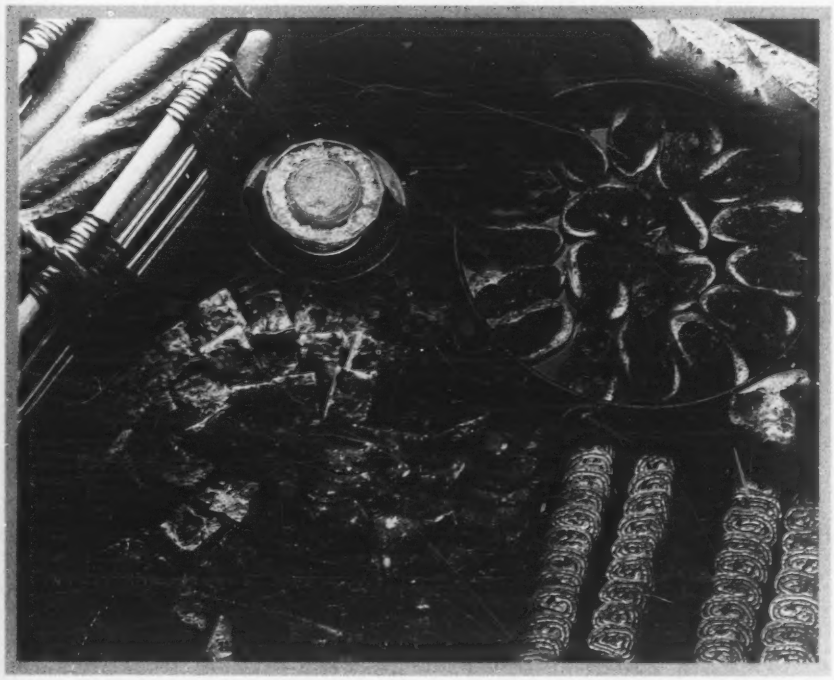
Second, only branded *concepts*, rather than *collections* of diverse concepts, are included. The *Restaurant Business* Top 100 is intended to measure the strength of individual concepts, such as Coco's or Ruby Tuesday, not the health of their corporate parents (respectively, Restaurant Enterprises and Morrison Inc.), a more logical method for evaluating restaurant chains.

The Top 100 was prepared in conjunction with Technomic Inc., the Chicago, IL-based consulting firm. The following criteria were used to define *chain restaurant concepts*:

- A *chain restaurant concept* is a multiple-unit operation with the same "name" or "brand" on each unit. Operators of diverse concepts, such as Stouffer restaurants or Specialty Restaurants Corp., are thereby excluded.
- Only *restaurants* are included. Hotel chains, in-flight foodservice companies, and contract caterers, for example, are excluded.
- Franchisees are excluded. For instance, National Pizza Co. and RPM, both franchisees of Pizza Hut, are excluded; however, Pizza Hut is included and its sales include franchisee data.
- Concepts are ranked by 1987 sales.

Note: Technomic Inc. and *Restaurant Business* believe that their sources of information are reliable, but do not assume any liability for the accuracy or comprehensiveness of the information here published.

# TAKEOUT



*In San Francisco, Vivande Porta Via's upscale take-out offerings include hors d'oeuvre platters, as well as entrees and complete meals.*

**The market is already enormous. Currently, take-out accounts for approximately 15% of the total American food dollar.**

BY JACQUE KOCHAK

At a time when restaurants are faced with limited growth possibilities, take-out and delivery open up new opportunities. In the past, take-out has been the province of fast feeders and delis, but now, midscale and upscale restaurants are experimenting.

There has been no customer traffic growth in on-premise dining for the last three years, according to CREST, a service of NPD Research, Park Ridge, IL. In the first quarter of 1988, total foodservice traffic was up 1.2%; however, on-premise traffic was down 1.3%, compared to a 4.2% increase in off-premise traffic.

The take-out market is already enormous. Currently, it accounts for about 15% of the American food dollar. This is not far behind the 19% of total food dollars spent on-premise.

Eighty-one percent, or about eight out of 10 households, say they buy take-out food in a four-week period, according to a study conducted for the Food Marketing Institute (FMI) and Campbell Soup Co. by Lieberman Research Inc. in 1987. On the average, buyers purchase take-out food 1.5 times a week, and spend $16.50, reports the FMI study. This projects to $62.4 billion in annual take-out sales.

The flood of women into the work force during the past 20 years has fueled the growth of foodservice, especially take-out, because the working woman has been too tired to fix an elaborate dinner when she gets home. Now, that working woman is coping with children, too, and she wants even more options.

According to George Rice, president of GDR/CREST Enterprises Inc., today's customer is being driven by a search for both value and convenience. Although the customer is relatively affluent, he is constricted by personal debt, and his income has plateaued.

In addition, for the last 18 years, what the U.S. Census terms "single nonfamily households" were growing

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steadily, and these singles had the time and money to eat out. Rice says that pattern has now changed, and families with children are in the ascendancy.

In fact, last year, 5.1 million more children were born to families in which both parents worked than in 1976, according to the U.S. Department of Commerce.

Not only does the money in these families have to go further—hence, the search for value—but the family members' time is more and more precious. They like the convenience of take-out and delivery, but they are also concerned about variety and nutrition.

Interestingly, men spend almost as much money on take-out as do women, although women spend about twice as much money on food overall. And take-out buyers tend to be younger and better educated, and have higher incomes. Unmarried men and employed mothers definitely offer special opportunities as take-out food customers.

The most popular take-out foods are still hamburgers and pizza. Hamburgers are purchased by 73% of take-out buyers, according to the FMI study, and pizza is purchased by 72% of the buyer population. Another widely purchased take-out food is chicken, at 49%.

**FAST-FOOD TAKE-OUT.** Fast-food outlets, of course, first capitalized on the possibilities of take-out. The interest in take-out fueled the growth of drive-thru windows, and the typical hamburger operation sells about 60% of its fast food for off-premise consumption.

That success has generated drive-thru-only concepts, which have proliferated in the Sunbelt states. These tiny kiosks enjoy a competitive advantage because their low overhead allows them to undercut the competition by offering low, low prices. And, in a time when concerns about labor are mounting, such units require less manpower. These drive-thru units typically specialize in hamburgers and fries, although operations offering Mexican food have also begun to appear.

Boulder, CO-based Good Times, part of Round the Corner Restaurants Inc., is a 550-sq.-ft. concept offering walk-up and drive-thru service. The menu consists of a quarter-pound hamburger, a quarter-pound cheeseburger, a double burger, a chicken sandwich, shakes, fries, soft drinks, and an apple-cinnamon dessert. Three units are now open in Denver, with company stores expected to open at a rate of one a month, says Round the Corner president Ed Massey. The company has hired Hal Taylor, a former president of Calny Inc., as president and CEO with a mandate to develop a viable franchising program. Plans call for opening 30 to 35 company-owned units over the next two to three years, in addition to franchising. Massey originally predicted annual unit volumes of about $650,000, and he says that sales are consistent with projections. "A drive-thru concept has been everything the research told us it would be," he says.

No one questions the viability and appeal of such units, although some predict a shakeout simply because so many are opening. Outlets specializing in drive-thru only are chasing a giant market, but the burger giants may respond with concepts of their own.

In fact, the whole concept of drive-thru windows has been so successful that, the reasoning goes, more must be better. Around the country, some operators are installing double and even triple parallel drive-thrus, with the outside lines serviced mechanically. The customer places the order by speaking through an intercom at one station, then moves on to a second station where his order is delivered via conveyor belt.

Grand Rapids, MI-based Mr. Fables Systems Inc. is testing a mechanized express lane in one unit. The company, founded in 1929, operates 16 quick-service restaurants in the Grand Rapids area.

Mr. Fables had the welcome problem of overflowing dining rooms and long

*continued on page 154*

*Waiters on Wheels delivers from 20 San Franciscan restaurants.*

**About eight out of 10 households say that they buy take-out food in a four-week period.**

lines to get in, so about 10 years ago a drive-thru system was introduced.

The new express lane is located parallel to the full drive-thru lane, on the outside perimeter. The lane serves a limited menu of sandwiches, fries, soft drinks, and tossed salads, which are delivered in 30 seconds. The conveyor belt, which carries baskets of food, was installed inside the canopy of the existing drive-thru lane.

Today, some 25% to 28% of total sales come from take-out, says Ric Richard, district manager. The entire menu is posted on two large outdoor menu boards. The first menu board, which customers can peruse while they are waiting, is full of information about entrees. The second board just gives names and prices; customers make their final decision at this point, then order.

The drive-thru is served from a back kitchen, and orders are served two minutes after they are placed. Average check is about $3.50, says Richard, although call-in orders can run as high as $30.

Mr. Fables' full menu includes shrimp, chicken, and fish-and-chips dinners, 16 different hamburgers and sandwiches, a variety of side orders and soups, and a breakfast menu. Desserts include strawberry, pecan, cream, and fruit pies, which are also available whole.

**FAST DELIVERY.** Ann Arbor, MI-based Domino's Pizza is credited with leading the delivery boom. The chain, with over 4,300 units and 1987 systemwide sales of $1.98 million, has demonstrated that delivery can be profitable, and set industry standards, including its 30-minute-or-free guarantee. (For more on Domino's, see the "Pizza Market Segment Report" in the November 1 issue of *Restaurant Business.*)

Delivery has proven so successful for pizza operators, that inevitably other fast feeders are testing delivery, including Popeyes, Kentucky Fried Chicken, and McDonald's.

A notable example is Dallas-based Ribby's Express Barbecue, part of USACafes, the franchisor of some 600 Bonanza Family Restaurants. The concept is designed to exploit the growing popularity of take-out convenience while giving Bonanza's area franchisees a vehicle for expansion in markets

*continued on page 156*

**In the first quarter of 1988, on-premise traffic was down 1.3%, compared to a 4.2% increase in off-premise traffic.**

*San Francisco-based Gira Polli, specializing in chicken roasted on a wood-fired rotisserie, derives 50% of sales from take-out.*

where there is no more room for the full restaurants.

Ribby's serves barbecued ribs and sandwiches. All service is drive-thru or via delivery, which now generates about 36% of sales. According to Jeff Rogers, USACafes president, the goal is 40% of sales from delivery.

Five units are now open, four of them in Dallas and one in Chicago. Units are expected to open in California, Louisiana, and Kansas City. The 434-sq.-ft. kiosks offer two drive-thru windows and one walk-up window, and serve a neighborhood delivery market. "We believe we've got something good," says Rogers. "We're on a path we're comfortable with."

Chinese restaurants have long offered take-out and delivery service. But Mandarin Express Inc., a 15-unit chain, specializes in delivery of Chinese fast food. "We intend to be the Domino's of Chinese food," declares Simon Hsu, president of the Bakersfield, CA-based chain. Mandarin Express' southern California delivery units have average annual volumes of $400,000.

**AN ELUSIVE MARKET.** Take-out, of course, is well established as a considerable source of sales for fast-food operators. In recent years, other restaurateurs have sensed opportunity, but so far take-out is typically a source of add-on dollars and not a major income generator.

The problem is that customers don't associate upscale restaurants with take-out. In the Food Marketing Institute study, when people were asked—on an unaided basis—to name the places that come to mind when they think of buying take-out food, only 10% named "other restaurants." "Other restaurants" designated any kind of restaurant besides a fast feeder, a pizzeria, or an ethnic eatery such as a Chinese restaurant.

However, as more and more people begin to think of restaurants as places to buy take-home cuisine, that percentage should change.

Buying take-out food is usually an impulse decision, according to the FMI study. Seventy-eight percent, or about eight out of 10 buyers, make the decision to buy take-out food just before they buy it, including 44% of customers who decide just a few minutes before.

*continued on page 158*

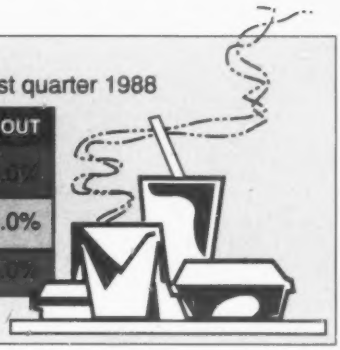
**TAKEOUT BOOMS**

Traffic count changes by segment for 1st quarter 1988

| | OVERALL | EAT IN | TAKE OUT |
|---|---|---|---|
| FAST FOOD | -2.6% | 0% | 4.0% |
| MIDPRICE | -2.6% | -4% | 4.0% |
| [illegible] | [illegible] | [illegible] | [illegible] |

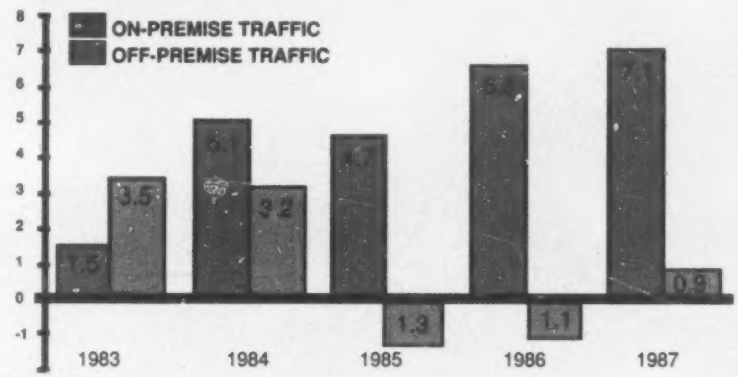
Total industry traffic count up 1.2%

SOURCE: CREST



**OFF-PREMISE GROWS**

% Change vs. Year ago

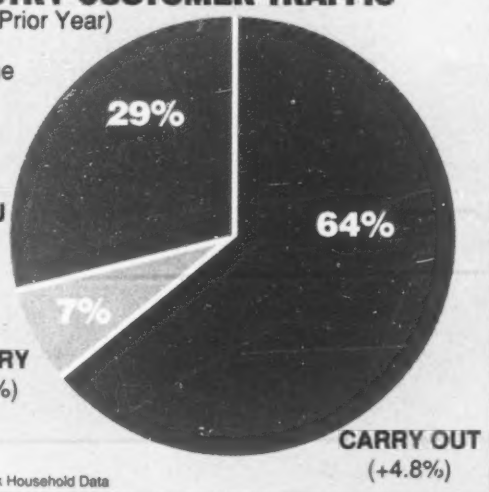



SOURCE: CREST Total U.S., Aug. 2-week Household Data

**SHARE OF INDUSTRY CUSTOMER TRAFFIC**

(Percent Change versus Prior Year)

Although carry out has the largest share of traffic, delivery has shown the biggest increase.




SOURCE: CREST Total U.S., Aug. 2-week Household Data

If buying take-out is an impulse decision, then upscale restaurants need to actively promote their take-out option. Customers think "fast food" when they think take-out. If they're going to think "restaurant," they'll have to be reminded.

Several entrepreneurs are introducing services to help restaurants capitalize on the take-out opportunity. For example, in New York City a magazine called *We Deliver* is distributed in supermarkets and apartment building lobbies. The publication reproduces restaurant take-out menus by category, with information such as delivery area and credit cards accepted.

"New York is a big delivery town because of the working style," says *We Deliver* publisher Joel Scher. "But we have seen a tremendous increase in the number of restaurants that deliver. It used to be that you could only get Chinese food and pizza delivered. Now you can get everything delivered." Scher adds that the typical size of his publications has increased from 40 pages to 84 pages, another indication of delivery's increasing popularity.

**THE COMPETITION.** Restaurants are not alone in their quest to court take-out food customers, however. Supermarkets have gamely entered the fray (even drive-thru supermarkets are reportedly under development), and they are equipped to compete effectively. "The convenience of foodservice carryout can be matched and exceeded by carryout from a supermarket," notes GDR/CREST's Rice.

At this point, however, restaurants are way ahead in the take-out war, according to the FMI study. About two thirds of the dollars that buyers spend on take-out food is spent at restaurants. Only one third of take-out dollars is currently spent at supermarkets. Of the 64% spent on take-out in restaurants, fast-food restaurants, ethnic restaurants, and other restaurants capture 41% and pizza parlors 23%.

Some restaurant operators have found take-out and delivery so attractive that they are abandoning the retail format entirely. Fisher & Levy, a New York City office caterer, closed down its retail space three years ago and turned the area into a commissary.

"The restaurant business is going through a tremendous upheaval," says Chip Fisher, senior vice president. "In New York City, there are too many restaurants, and upscale eaters are numbed, overwhelmed, intimidated. I think the party's over." He points out that profit margins are better for a delivery operation than for a restaurant, though overhead is still substantial.

Fisher & Levy customers order from an extensive menu that changes with the seasons. Price range is from $3.25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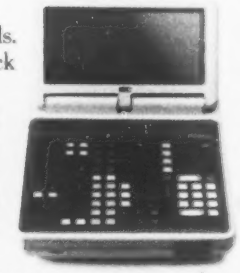

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for soups and about $4 for side salads to $14.95 for a lobster meat salad with avocado. The minimum delivery is $20, so two or three people in an office can conveniently team up for an order.

Such a service works well in a high-density business center such as Manhattan, and Fisher & Levy's business has grown 40% in the last year, Fisher says. Sales are now topping $1 million, he adds.

Fisher and his partner Doug Levy have received a number of requests about franchising, and are considering franchising their concept with minor changes in major cities around the country.

**REPLACING THE HOME MEAL.** Another longtime restaurateur who sees great potential in the meal-at-home market is Larry Colligan, owner of a Tucson, AZ, institution, the Hidden Valley Inn. The Hidden Valley Inn is already the largest restaurant in Tucson, so rather than expand the business on the premises, Colligan opted for a full-scale delivery system. The result: Hidden Valley's total sales have doubled.

**On average, buyers purchase take-out food 1.5 times a week, and spend $16.50.**

This is not take-out and delivery on a small scale. Colligan operates a fleet of 10 specially designed trucks, complete with ovens and refrigerators. In fact, Colligan views his food delivery business as completely separate from his restaurant, although the two are complementary. The food-delivery system is serviced from a separate commissary rather than from the restaurant's kitchen. In contrast to the full restaurant prices that most operations charge, Colligan offers a completely different pricing structure.

For example, a complete chicken dinner is delivered for $6.50. Also available are mini meat loaves with mashed potatoes and gravy, for $6.50; chunky beef stew with potatoes, vegetables, and gravy, for $6.50; and barbecued pork ribs and chicken. All dinners come with a salad, a roll, and ranch beans or potato salad.

The pricing works because of the service's volume; during a one-year test, Colligan served over 16,000 meals

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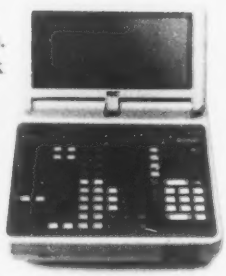

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a month in Tucson. "I want a reasonable price, not a restaurant price," he says.

As noted, Colligan's extensive delivery system has not hurt the Hidden Valley Inn's sales. During Colligan's first year of food delivery, the restaurant's sales increased substantially, in fact. He attributes the increase to the fact that the restaurant's 10 delivery trucks serve as traveling billboards cruising through town seven days a week.

Colligan says he believes that his food-delivery system could work in any city with a population of over 100,000. He is setting up a consulting and licensing program. "My objective is to show operators in other cities how to double their business," he says. "I'd like to work with the most successful restaurant in each city."

He adds that construction costs for on-premise expansion are very high, but that a delivery system can be installed for under $25,000.

*Avanzare at the Hyatt Regency Atlanta offers a take-out buffeteria.*

**Hamburgers are purchased by 73% of take-out buyers, and pizza is purchased by 72%.**

The interest in take-out and delivery is so intense that services are evolving to aid restaurants that don't want to bother with the mechanics of delivery. Since the beginning of the year, Waiters on Wheels has delivered dinners from 20 different restaurants to customers in San Francisco.

Restaurants sign an agreement to pay Waiters on Wheels 20% of sales made by the service. Customers then pay Waiters on Wheels a $3 delivery charge.

Customers on a mailing list receive a monthly issue of *A La Carte*, an attractive magazine containing menus. They call Waiters on Wheels' central number with their order. Waiters on Wheels then calls the restaurant and sets up delivery within 50 minutes.

At present, seven waiters on wheels deliver about 1,000 meals a week. Drivers use their own cars, but Waiters on Wheels provides them with warming ovens and red waiter's jackets. In addition to being paid by Waiters on Wheels, the drivers receive tips.

The bulk of the business comes during dinner hours, but the largest orders come at noon from businesses, says co-owner Takis Zarikos. The service has been successful enough that Zarikos and his partners are thinking about expanding to other cities via franchising.

One restaurant that utilizes the Waiters on Wheels service is Gira Polli, a restaurant specializing in chicken roasted on a special wood-fired rotisserie imported from Italy. Gira Polli opened in San Francisco last June with a business plan calling for 75% of sales to come from take-out. So far, some 50% of sales are take-out, and that figure is growing, says Norine Ferrante, who owns the restaurant with her husband Michele. In just two weeks, Waiters on Wheels was already servicing a third of the restaurant's take-out orders, says Norine.

The Ferrantes were inspired to open a restaurant specializing in take-out by the experience at their other restaurant, Mondello's in Moraga, CA. Moraga is a very affluent bedroom community, and customers—all of whom are local—frequently stop by to order food to go. Take-home food was never publicized, but still accounts for some 10% of sales, says Norine.

Gira Polli is tiny, with a 14 ft. x 14 ft. dining room and only 20 seats. The restaurant's open kitchen, dominated by the huge rotisserie, is visible from the street. Flames from the rotisserie shoot up over four feet, drawing onlookers to watch the spectacle of 120 chickens being cooked at once.

Most of the take-out orders are for chicken, with an average check of $7. Average checks for customers who eat in are often higher, around $13, because they often will add their orders from a refrigerated case stocked with a large selection of made-on-the-premises desserts.

An upscale operation that has successfully specialized in take-out is San

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Francisco's Vivande Porta Via, owned by cookbook author Carlo Middione and his wife Lisa. The restaurant, opened in 1981 in a fashionable neighborhood, is divided into a white-tablecloth cafe with an open kitchen and 48 seats, and a retail section where made-on-the-premises food is displayed. The cafe is open for lunch only, from 11:30 a.m. until 4 p.m.

The full-service restaurant serves hot food. The retail area offers refrigerated foods for take-out, and is modeled on operations in Italy where customers stop in frequently to pick up freshly prepared dinners.

This is no typical deli, however. Vivande Porta Via's retail area boasts sausages made on premise, raw homemade fettuccine, and pizza *rustica* (a deep-dish pie made with prosciutto and a variety of cheeses). Also available is fresh roasted chicken, and chicken *mattone* (marinated in olive oil and red pepper flakes, then grilled under heavy tiles). All entrees in the retail area are either cold or room-temperature, says general manager Michael Podlin.

Customers can call ahead to order special entrees, with three to five days' notice. Then, Vivande employees will make up dishes such as *pollo espresso gallantina*: A half chicken is boned, stuffed with a mixture of ricotta and prosciutto, baked, basted with sherry, brandy, and butter, and served with fresh sautéed vegetables. Cost is $16 per portion. The restaurant also makes a side dish of polenta nests with gorgonzola cheese and pine nuts.

For special occasions, Vivande will make fresh lasagne with bechamel and marinara sauces and homemade sausage; the minimum order is 36, 6-oz. servings at a cost of $144. With five days' notice, Vivande will prepare a deboned leg of lamb, rolled with a layer of spinach seasoned with garlic, wild mushrooms, and spices. Cost is $45 for a half, four to six servings, and $85 for a whole, 10 to 12 servings. Another popular offering is a whole capon boned and stuffed with a mixture of spinach, raisins, walnuts, wild mushrooms, and spices, then rerolled and baked. The capon is wrapped in parchment paper to retain moisture and serves eight to 10 people as a main course. Cost is $125.

Besides the dining room and the retail area, a good part of Vivande's business comes from catering. The restaurant has full-service catering, complete with staff, china, and glassware. It also offers carry-out cuisine, with food and platters packed in baskets that are picked up by the customer, then returned.

Although the idea of specializing in upscale take-out might seem an attractive way to escape some of the hassles and costs of running a full-service restaurant, Podlin says that isn't so. "We provide a very specialized service and employ eight chefs who must be taught an extensive repertory," says Podlin. "They are trained to maintain our high standards and achieve consistency. Retail sales clerks are also specialists, and our customers expect them to be knowledgeable about the

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**The typical hamburger fast-food unit sells about 60% of its food for off-premise consumption.**

*The Hidden Valley Inn, a Tucson, AZ, institution, operates a fleet of 10 specially designed delivery trucks.*

foods as well as provide them with fast, efficient service. You can readily see how high turnover and rising labor costs can be a threat to this business."

Many long-established restaurants are tentatively venturing into take-out service. One such restaurant is The Ravelled Sleave, the venerable New York City establishment. The restaurant serves a classic menu of entrees such as broiled salmon filet with sorrel sauce, sautéed veal medallions with tarragon sauce, and rack of lamb with an herbed crumb crust and mint sauce. Entrees are generally under $20.

The Ravelled Sleave added a take-out menu last summer. "We had no other way to expand; the only way was out," says co-owner Jan Fried. The restaurant, which is open only in the evening, packages and delivers eight to 10 dinners on a typical evening. The take-out menu includes four hors d'oeuvres, a soup du jour, and an 8-in. pizza as appetizers, three salads, and entrees such as grilled salmon filet, mahi mahi, veal scallopine with tarragon sauce, and grilled baby chicken with roast garlic sauce. Also available are sandwiches and a number of side dishes.

The restaurant's only stipulation is that delivered orders must total at least $15; a 10% service charge is added. Deliveries are made between 5:30 and 11:30 p.m., within a five-block radius of the restaurant.

Fried says that the take-out menu is culled from the larger menu, with care given to selecting entrees that hold well. Meals are packed in microwaveable containers, with meats undercooked.

**HOTEL TAKE-OUT.** There is so much excitement about take-out sales that even hotels are attempting to get into the act. For example, Avanzare at the Hyatt Regency Atlanta offers a take-out buffeteria called the Express Lunch Take-Out.

The buffeteria offers 12 different chilled antipasto salads, from which the customer chooses four for $4.95. Among the selections are shrimp and cucumber; bow-ties and marinated chicken with pesto; Italian sausage with roasted peppers; marinated mussels and clams; and prosciutto ham and melon. Also available are personal-size pizzas with topping selections such as bay shrimp, clams, fontina cheese, pepperoni, Italian sausage, onions, green peppers, and mushrooms.

The Express Lunch Take-Out counter is especially popular in warm weather, when customers can pick up their orders and dine poolside. They can also take their lunches back to the office.

So far, the take-out counter accounts for only a small percentage of the restaurant's business, says director of public relations and advertising Kathleen Schoch-Ziprik, but management expects sales to grow. For that reason,

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another menu called "Quick Bites" has been added, with six different items to go. Among them are a pizza calzone, *pannina a la Milanaise* (a sandwich with salami, capicola, prosciutto, onions, peppers, Bibb lettuce, tomato, and mozzarella), a meatball sandwich, and an Italian submarine sandwich.

Washington, DC-based Marriott Corp. is one hotel chain whose executives sense real opportunity in the meal-at-home market. About a year ago, the company formed a task force to study the possibility of a food-delivery service. Based on information gathered by the task force, Marriott personnel designed a brochure promoting delivery. Individual hotels can customize the brochure on the inside with specific menu items, says Sue Halsey, manager of the hotel menu and merchandising department.

The brochure is aimed at food delivery to nearby offices and institutions. Foodservice staff are encouraged to make an informal market survey before starting a delivery service and to visit prospective clients personally with the brochure, rather than undertaking a mail blitz.

In addition to the brochure, headquarters provides guidelines on implementing delivery programs. So far, says Halsey, some 40 hotels are using the brochure and guidelines.

An example is the Kansas City International Airport Marriott (KCI), near Kansas City, MO. The hotel set up a delivery service through its room service department. Hotel room service is traditionally slow at noon, so room service personnel are able to handle the added volume. Food orders are prepared in a commissary kitchen, and two or three hours' notice is required.

Marriott hotels must devise their own transportation. At KCI, the hotel bought a new van to transport guests to the airport so the foodservice department requested the old van for its delivery service. The KCI Marriott is already delivering $2,500 worth of meals weekly, and that is expected to increase.

The KCI Marriott caters individual meals as well as large luncheons, says food and beverage manager Steve Goldstein. Minimum order is $5.

"We originally intended to only service large orders, because small ones are not cost-effective," says Goldstein. "But once we started, we found an overwhelming demand. We were the only operation in the area that delivers, and a lot of people who work nearby can't get out for lunch. We just absorb the cost of small orders to build good will."

*Above: Waiters on Wheels' menu brochure. Right: Marriott's delivery promotion brochure.*

Delivery has not proven to be a golden opportunity for everyone, however. Minneapolis-based International Dairy Queen was involved in the launching of a delivery concept called Telechef in Charleston, SC, but the test has been halted. The 10-unit company was based on a computerized-ordering system, and guaranteed delivery of fried chicken, pizza, and heroes. International Dairy Queen owned 60% of the concept, which was headed by former IDQ president Harris Cooper.

Minneapolis, MN-based General Mills also tested a service that delivered homestyle meals prepared at a central commissary in Minneapolis. The service, called Order Inn, didn't generate the sales to justify continued testing, according to a General Mills spokesperson. The service was discontinued in September after less than a year in test.

**C-STORE CHALLENGE.** Convenience stores are increasingly challenging fast-food operators. Carryout has long been a specialty of c-stores. C-store delis have proliferated, and many have instituted serve-yourself soft drink bars as well as cookie-baking. The major c-store chains, including 7-Eleven and Circle K, have been focusing on prepared foods for take-out.

One convenience store that has gone quite a bit further is Convenience Plus, an independent located in Shelton, CT, outside of New Haven. It has a food section equipped with steam tables, offering five or six different hot entrees. Also available are chef's salads, tossed salads, macaroni salad, and a full line of cold cuts, muffins, and pastries.

The hot-food line is serviced by a complete kitchen, and co-owner Eleanor Castiello says that at lunch time, customers can't even get into the parking lot. Shelton is a small city benefiting from a boom in corporate development, and Convenience Plus is often asked to fill large call-in orders from businesses. At least 50% of the c-store's business is generated by foodservice, Castiello says. In fact, this hybrid lacks only seating to be considered a restaurant.

Take-out seems to hold a great deal of promise as a way to expand business in a tight market. Demographic projections indicate that this will hold true for the near future. However, a crucial ingredient of a successful take-out program is promotion. Customers need to be reminded that far more than pizza and hamburgers are available for off-premise consumption today. ■